

ALASKA LEGISLATURE COMMITTEE FILED 1971 - 1970 0012

9314 HOUSE LABOR & COMMERCE

HB

218

File 2

ATTACHMENT 2

CHIA Financial Projections (1997-1999) 20% Claim Trend

Numbers are still to moderate to moderate amount that can be done for the state will make the most money D. Ston

Scenario 3:

1 participant per month growth, current premiums (175% of standard) through 1997 and increased at 10% after 1997

	Actual				Projected		
	1993	1994	1995	1996	1997	1998	1999
Average Members	23	110	167	189	194	206	218
Paid Premiums	88,375	348,744	479,001	610,173	698,400	815,760	949,608
Paid Claims	154,910	474,619	1,903,747	1,672,490	1,400,742	1,784,862	2,266,602
Administrator Expenses	35,600	101,587	155,183	243,832	262,645	315,872	334,272
Board Expenses	16,563	17,971	23,366	25,370	25,000	25,000	25,000
Net Liability to be Funded	(118,698)	(245,433)	(1,603,295)	(1,331,519)	(989,987)	(1,309,975)	(1,676,267)
Estimated Assessable Health Premium	317,000,000	347,000,000	362,000,000	392,000,000	424,000,000	460,000,000	499,000,000
Required Assessment as a % Premium	0.04%	0.07%	0.44%	0.34%	0.23%	0.28%	0.34%
Required Assessment as a % Premium without State Employee Premium	0.06%	0.11%	0.71%	0.51%	0.35%	0.42%	0.49%

Malone has been in operation for 9 years.

ATTACHMENT 3

Administrative Costs by State 1995

<u>State</u>	<u>Average</u> <u># Participants</u>	<u>Admin Cost</u>	<u>Per Participant</u> <u>per Month</u>
WY	240	21,406	7.45
ND	1,378	201,809	12.20
WI	10,188	1,847,775	15.11
OR	4,329	806,328	15.52
NE	3,349	627,948	15.63
MN	31,974	6,563,213	17.11
IA	1,220	256,489	17.52
MO	1,019	219,190	17.93
CA	19,277	4,400,000	19.02
KS	786	196,328	20.83
MT	295	73,964	20.93
MS	723	200,640	23.14
FL	2,038	571,665	23.38
WA	1,085	311,910	23.97
NM	991	322,636	27.13
IN	4,561	1,595,978	29.16
CT	1,257	505,818	33.55
CO	1,747	717,432	34.23
UT	695	311,122	37.30
SC	1,171	546,618	38.90
IL	4,780	2,526,158	44.04
LA	459	443,901	80.59
AK 95	154	178,909	97.13
AK 96	184	269,202	121.92

Maximum cost per participant per month: 97.13
 Minimum cost per participant per month: 7.45

Average cost per participant per month: 26.12

* Source: Comprehensive Health Insurance for High-risk
 Individuals, Communicating for Agriculture, 1996 Report

Shirley, 4/1, 9:42

Karen, 3744, in Rep. Hudson's office called and she was looking at the L&C meeting scheduled for Saturday and it says it's a subcommittee meeting. That's confusing to her and she wants to double check on it.

4/1, 9:42, 4607

Katie Campbell, 4067, Div. of Ins., called regarding the L&C meeting tomorrow re: KK Bill. They request that the Chairman of the Comprehensive Health Insurance association be at the hearing via teleconference. His name is Cecil Bykerk, 402-351-2534.

call 1-800-

70578
releaser
Maturato
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4/1, 9:48

Ken Freeman for Shirley. Please call back at 3804.

4/1, 11:21

Pete Kinneen, Anchorage, 279-3323, called on the status of HB 161, deregulating trash, L&C hearing on 1/5. wants to know what's going on.

ALASKA STATE LEGISLATURE

House of Representatives

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Labor and Commerce Committee

MEMORANDUM

TO: Representative John Cowdery, Vice Chairman
Representative Bill Hudson
Representative Joe Ryan
Representative Jerry Sanders
Representative Tom Brice
Representative Gene Kubina

FROM: Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee

DATE: March 21, 1997

SUBJECT: **HB 218 - Omnibus Insurance Reform**

The Division of Insurance, Department of Commerce and Economic Development has requested that the House Labor and Commerce Committee introduce HB 218, Omnibus Insurance Reform. Ms. Marianne Burke, Director will be making the presentation to our committee. The department has provided a sectional analysis of the bill.

Committee staff has spoken with the staff to the Senate Labor and Commerce Committee and several changes have been made to the original version that was introduced. The Senate has recommended that we try to conform our bill to theirs to expedite passage this session

If you have any questions, please have your staff contact Shirley Armstrong at 465-4954.

SECTIONAL ANALYSES

APR 03 1997

HB218

Section 1. AS 21.06.030

The Division of Insurance has routinely secured public input on insurance regulatory issues using a variety of advisory committees. Volunteers, including many insurance professionals providing technical input, have served without compensation from the state, recognizing that if transportation or per diem expenses were paid by the division the costs would be passed back to them through higher licensee fees or higher insurance premiums reflecting increased administrative costs. The possibility that payment might be required under AS 39.20.180 has recently been brought to the division's attention. This section would reaffirm that persons participating on division advisory committees do not receive payment for transportation or per diem expense.

Section 2. AS 21.06.110

Updates information required to be included in the division's annual report to reflect current practices regarding issuance of certificates of authority and primary regulation of domestic insurers.

Section 3. AS 21.06.160(a). Examination Cost.

Clarifies this subsection to allow the calculation of a reasonable per hour charge for examination services to include approximated division overhead expenses such as word processing services, facilities and supplies, computer systems, etc. and that out-of-pocket expenses including travel costs shall be paid by the person being examined.

Section 4. AS 21.09.210(b). Premium Tax Payment - Admitted Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 5. AS 21.09.210(d). Premium Tax Payment - Admitted Wet Marine and Transportation Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 6. AS 21.09.245. Amendments to Certificate of Authority.

A new section that requires an authorized insurer to file with the division within 30 days a name change, domiciliary state change, or other information on its certificate of authority. Amendment to the insurer's articles of incorporation or bylaws, a change of business address or phone number, and other information as designated by the director must be filed within 90 days, and provide for penalties for noncompliance.

Section 7. AS 21.09.320. Maintenance of Records.

This new section that identifies which records are required to be kept by admitted insurers domiciled in another state. Retention times are specified. Domestic insurers are subject to existing and unchanged provisions. The lack of requirements for other admitted insurers has impeded the division's regulatory oversight including examinations and other investigations.

Section 8. AS 21.12.020(a)(4)(A)(iii). Accredited Reinsurer Qualifications.

Removes a requirement for a certification of insurer solvency from an insurer's domiciliary regulator because some foreign countries do not provide such certifications. Certification will still be required from the insurer's public accountant.

Section 9. AS 21.12.050. Health insurance defined.

Revision to this subsection adds stop loss insurance to the definition of health insurance to affirm that life and health insurers are permitted to write stop loss coverage.

Section 10. AS 21.12.050. Stop-loss insurance defined.

Definition of stop-loss insurance as referenced in AS 21.12.050.

Section 11. AS 21.14.010(a). Risk Based Capital Filing.

Clarifies that a domestic insurer must submit its risk based capital report to the director without a specific request.

Section 12. AS 21.14.200(18). Risk Based Capital Instructions.

Clarifies that instructions can be adopted by order of the director after an open meeting since the complexity of the calculation, its continual refinement, and insurer need for nationwide consistency regulations are an inappropriate way to provide instructions to insurers.

Section 13. AS 21.18.050(4). Capital stock and liabilities charged against assets.

Requires that the minimum reserves for health insurance established in AS 21.18.080-21.18.086 be charged against an insurer's admitted assets for the purpose of determining the insurer's statutory financial condition.

Section 14. AS 21.18.080. Reserve standards for health insurance.

Adopts a more well defined and appropriate standard for minimum reserves for health insurance. Requires that reserve adequacy be determined by a gross premium valuation considering the sum of policy reserves, claims reserves, and premium reserves established under AS 21.18.082-AS 21.18.086.

Section 15. New sections are added to provide for minimum health insurance reserve standards.

AS 21.18.082. Policy reserves for health insurance.

Defines which policies require a policy reserve and how to calculate the reserve based on minimum standards relating to interest rates, policy termination, morbidity, and reserve method.

AS 21.18.084. Claim reserves for health insurance.

Establishes that claim reserves are required for all incurred and unpaid claims, including associated expenses, on health insurance policies.

AS 21.18.086. Premium reserves for health insurance.

Establishes premium reserve requirements that include standards for accounting, discounting, methodology, and minimums levels of unearned premium reserves as they relate to policy reserves.

Section 16. AS 21.21.410. Custodian Agreements.

Requires that a written agreement must exist between an insurer and the custodian of its assets, securities, or investments. The agreement must require that the custodian will indemnify for losses if loss results from theft, mysterious disappearance, damage or destruction, or negligence or dishonesty of the custodian's officers, employees, or agents. The agreement must require the custodian to promptly replace

an asset or value of the asset. A bank, trust company, or securities firm may serve as custodian if authorized by the insurer and approved by the director.

Section 17. AS 21.27.010(f)(2)(B).

Editorial revision to make "or" the appropriate connector consistent with identical language in (g)(1) of the section.

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Section 18. AS 21.27.010(I). Attorney-in-fact License Exemption.

Clarifies that an attorney-in-fact of a reciprocal insurer who meets the qualifications to be exempt from licensure as an attorney-in-fact is not required to be licensed under AS 21.27 as a managing general agent.

Section 19. AS 21.27.040(a). Application for License.

Codifies current procedure that requires an applicant to certify under oath that the information provided on a license application is true and correct.

Section 20. AS 21.27.370(b). Shared Commissions.

Reaffirms that an unlicensed person may not share or receive a commission or any form of remuneration for business transacted in this state, nor may a licensee share commission or other form of remuneration with an unlicensed person.

Section 21. AS 21.27.390(b). Temporary License.

Conforms AS 21.27 with the requirement to issue a temporary license under AS 25.27.244 (Welfare Reform).

Section 22. AS 21.27.405(b). Investigation; cease and desist order.

Updates procedures to allow the director the flexibility to provide service of notice to a person in the most effective and efficient way.

Section 23. AS 21.27.440(a). Fines.

Provides authority for the director to fine an unlicensed person who illegally transacted the business of insurance and received a commission or other form of remuneration.

Section 24. AS 21.27.640(b)(5)(D). Third Party Administrator License Application.

Gives a third-party administrator applicant an option to submit certified financial statements for its period of operation if operations have been for less than two years in order to remove a barrier to start up operations for an applicant who would otherwise be qualified to act as a third-party administrator.

Section 25. AS 21.34.040(c)(4). Unauthorized Insurers - Lloyd's Syndicates.

Establishes solvency requirements for each syndicate or insurer of Lloyds or a similar operation.

Section 26. AS 21.34.040(c)(5). Unauthorized Insurers - Insurance Exchange.

Establishes solvency requirements for each syndicate of an insurance exchange created by the laws of another state.

Section 27. AS 21.34.180(b). Premium Tax Payment - Unauthorized.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 28. AS 21.34.190(a). Unauthorized Filing Fee.

Clarifies that the one percent fee on gross premiums is calculated on the gross premiums reported on the statement of surplus lines tax required under AS 21.34.180(b), which has been amended to allow the director to require reporting more often than annually.

Section 29. AS 21.36.095(e)(5). Child coverage; enrollment, noncustodial parents and discrimination.

Clarifies that the Comprehensive Health Insurance Association is the entity subject to the requirements of the section.

Section 30. AS 21.36.185.

Establishes a requirement based on the NAIC Model Unfair Trade Practices Act for an insurer to maintain records regarding ~~its~~ complaints it receives. The record will assist the division in evaluating an insurer's consumer practices.

Section 31. AS 21.36.240. Failure to renew.

Clarify that an insurance policy may only be non-renewed on its annual anniversary. This only applies to personal property and casualty insurance.

Section 32. AS 21.36.290. Policy period.

In conjunction with AS 21.36.240, clarifies the annual policy period and assures that rates for personal auto insurance may only be changed once every 6 months, even if the policy is written for a shorter time period.

Section 33. AS 21.36.390. Notice to director.

Adds a requirement that insurers and other licensees report producer defalcations, embezzlements, or violations to the director in much the manner as currently is required for reporting claim fraud. Lack of timely reports to the division has resulted in situations in which harm to the public or other insurers has been exacerbated. Requires licensees as well as insurers to report fraudulent claims.

Section 34. AS 21.39.045(b)-- Risk classification: construction industry.

Clarifies that the credit scale recognizing differences in wages paid applies only to the construction industry.

Section 35. AS 21.42.130(5). Disapproval of forms.

Clarifies that rates for individual health insurance are not subject to approval consistent with current statutes that do not provide a mechanism or guidelines for such rate review.

Section 36. AS 21.42.205. Coordination of benefits.

Requires that benefits provided under health insurance contracts be coordinated. This coordination is applicable only when an individual is covered under more than one health insurance contract.

Section 37. AS 21.42.265.

Clarifies that insurance coverage changes required by a law change become effective at renewal unless the law provides an earlier effective date for the changes.

Section 38. AS 21.54.015. Rate requirements.

Requires that rates for group health insurance contracts not be excessive, inadequate, or unfairly discriminatory to provide a consistent standard for all group health insurers.

Section 39. AS 21.66.110(a). Premium Tax Payment - Title Insurance.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 40. AS 21.66.390(a).

Adds investment income as one of the elements to be considered when evaluating the rates charged by title insurers.

Section 41. AS 21.69.310(e). Annual Meeting Location.

Allows the director upon show of good cause to approve a domestic insurer's request to hold its required annual meeting in a city outside of the location of its principal office or place of business.

Section 42. AS 21.69.520(a). Borrowed Funds.

Requires director approval for an insurer to borrow funds when a written agreement requires that the money be repaid only out of the insurer's excess surplus and removes permission for an insurer to borrow money in this manner for any purpose of the insurer's business.

Section 43. AS 21.75.045(a). Attorney-in-fact License Exemption.

Expands the exception for being licensed as an attorney-in-fact to all reciprocal insurers. The exemption is allowed when the attorney-in-fact is a wholly-owned subsidiary of the reciprocal insurer who only acts for the one reciprocal. Attorneys-in-fact who operate more than one reciprocal insurer must be licensed under this section.

Section 44. AS 21.76.020(b). Joint Insurance Arrangement Reporting.

Specifies that the report prepared by a joint insurance arrangement and filed with the legislative budget and audit committee shall also be filed with the director.

Section 45. AS 21.76.080(e). Joint Insurance Arrangement Reporting.

Allows for the report filed by the joint insurance arrangement with its board of directors and the director to be an audit based on generally accepted accounting principles rather than requirements established by the director. A report filed with the director is open to public inspection unless specifically precluded by statute.

Section 46. AS 21.78.293(b).

In order to reduce litigation over claims and thereby expedite the closure of a receivership estate (to the benefit of insurance policyholders and other claimants), the superior court shall review and adopt the receiver's report on claims by using the substantial evidence standard. The period of disapproving claims is extended to 120 days.

Section 47. AS 21.87.140(c)(1).

Updates terminology of participant provider contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Section 48. AS 21.87.150(c)(1).

Updates terminology of participant hospital contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Section 49. AS 21.87.180(a).

Conforms form filing requirements for medical and hospital service corporations to similar requirements for other insurers subject to form filing.

Section 50. AS 21.87.190(b). Subscription rates, fees, and payments.

Clarifies rate filing requirements. Allows the director discretion to protect medical and hospital service corporations from competitive disadvantage that may arise from disclosing rating formulas when other health insurers are not required to file rates for approval and disclose rating formulas.

Section 51. AS 21.87.200. Reserves.

Requires that hospital or medical service corporations have minimum reserve standards and reporting consistent with other health insurers.

Section 52. AS 21.89.020(g) -- Short term auto policy.

Clarifies that the requirements of AS 21.36.210 - 21.36.310 do not apply to seven-day policies.

Section 53. AS 21.90.900(29).

Affirms that certificates or other evidences of insurance covering Alaskans as insureds or beneficiaries under group, trust, association, or similar policies are policies subject to AS 21, including mandated coverages or mandated offers of coverage under AS 21.42.

Section 54. AS 21.90.900(41). Definition.

A new definition to specify what the term "certified financial statement" means in licensing requirements.

Section 55. AS 21.81. Chapter Repeal.

Corrects an oversight by repealing Chapter 81 that was superseded by legislation enacted in 1995 (AS 21.09.310).

Section 56. Effective Date for Certain Sections.

Sections 4, 5, 27, 28, ²⁵⁺²⁶~~29~~, 30, and ~~41~~ are to take effect on January 1, 1998.

Section 57. Effective Date.

All other sections are to take effect on July 1, 1997.

DRAFT

Includes KKamend

SECTIONAL ANALYSIS
CSSB 104(FIN) *draft*

from M Burke
APR 17 1997

Section 1. PURPOSE. The purpose of sections 3, 11, 12, 31-34, 43-57, 59-90, 99-102, 108, 110-116, and 119 of this Act is to implement the minimum federal standards for health care insurance enacted under P.L. 104-191 (Health Insurance Portability and Accountability Act of 1996).

Sec. 2. AS 21.06.030. Deputies and assistants.

This section reaffirms that persons participating on division advisory committees do not receive payment for transportation or per diem expense. The Division of Insurance has routinely secured public input on insurance regulatory issues using a variety of advisory committees. Volunteers, including many insurance professionals providing technical input, have served without compensation from the state, recognizing that if transportation or per diem expenses were paid by the division the costs would be passed back to them through higher licensee fees or higher insurance premiums reflecting increased administrative costs. The possibility that payment might be required under AS 39.20.180 has recently been brought to the division's attention.

Sec. 3. AS 21.06.085. Uniform data and procedures for health claims.

The changes to this section make the terms consistent with the newly defined health insurance terms under the federal law(HIPAA)

Sec. 4. AS 21.06.110. Director's annual report.

Updates information required to be included in the division's annual report to reflect current practices regarding issuance of certificates of authority and primary regulation of domestic insurers.

Sec 5. AS 21.06.160(a). Examination Cost.

Clarifies this subsection to allow the calculation of a reasonable per hour charge for examination services to include approximated division overhead expenses such as word processing services, facilities and supplies, computer systems, etc. and that out-of-pocket expenses including travel costs shall be paid by the person being examined.

Sec 6. AS 21.09.210(b). Premium Tax Payment - Admitted Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec 7. AS 21.09.210(d). Premium Tax Payment - Admitted Wet Marine and Transportation Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec 8. AS 21.09.245. Amendments to Certificate of Authority.

This is a new section that requires an authorized insurer to file with the division within

30 days a name change, domiciliary state change, or other information on its certificate of authority. Amendment to the insurer's articles of incorporation or bylaws, a change of business address or phone number, and other information as designated by the director must be filed within 90 days, and provide for penalties for noncompliance.

Sec 9. AS 21.09.320. Maintenance of Records.

This new section that identifies which records are required to be kept by admitted insurers domiciled in another state. Retention times are specified. Domestic insurers are subject to existing and unchanged provisions. The lack of requirements for other admitted insurers has impeded the division's regulatory oversight including examinations and other investigations.

Sec 10. AS 21.12.020(a)(4)(A)(iii). Accredited Reinsurer Qualifications.

Removes a requirement for a certification of insurer solvency from an insurer's domiciliary regulator because some foreign countries do not provide such certifications. Certification will still be required from the insurer's public accountant.

Sec. 11. AS 21.12.050. Health insurance defined.

This section defines "health care insurance" which is consistent with the definition of "health insurance coverage" in P.L. 104-191 adding Sec. 2791(b) (42 U.S.C. 300gg-91(b)). The federal definition differs from the current state definition and since Alaska's definition is more broad, the federal definition was defined as a subset of the Alaska definition. This section all adds stop loss insurance to the definition of health insurance to affirm that life and health insurers are permitted to write stop loss coverage.

Sec 12. AS 21.12.050.

Definition of health care insurance and stop-loss insurance as referenced in Sec. 11 AS 21.12.050.

Section 13. AS 21.14.010(a). Risk Based Capital Filing.

Clarifies that a domestic insurer must submit its risk based capital report to the director without a specific request.

Section 14. AS 21.14.200(18). Risk Based Capital Instructions.

Clarifies that instructions can be adopted by order of the director after an open meeting since the complexity of the calculation, its continual refinement, and insurer need for nationwide consistency, regulations are an inappropriate way to provide instructions to insurers.

Section 15. AS 21.18.050(4). Capital stock and liabilities charged against assets.

Requires that the minimum reserves for health insurance established in AS 21.18.080-21.18.086 be charged against an insurer's admitted assets for the purpose of determining the insurer's statutory financial condition.

Section 16. AS 21.18.080. Reserve standards for health insurance.

Adopts a more well defined and appropriate standard for minimum reserves for health insurance. Requires that reserve adequacy be determined by a gross premium valuation considering the sum of policy reserves, claims reserves, and premium reserves established under AS 21.18.082-AS 21.18.086.

Section 17. New sections are added to provide for minimum health insurance reserve standards.

AS 21.18.082. Policy reserves for health insurance.

This section defines which policies require a policy reserve and how to calculate the reserve based on minimum standards relating to interest rates, policy termination, morbidity, and reserve method.

AS 21.18.084. Claim reserves for health insurance.

This section establishes that claim reserves are required for all incurred and unpaid claims, including associated expenses, on health insurance policies.

AS 21.18.086. Premium reserves for health insurance.

This section establishes premium reserve requirements that include standards for accounting, discounting, methodology, and minimums levels of unearned premium reserves as they relate to policy reserves.

Section 18. AS 21.21.410. Custodian Agreements.

Requires that a written agreement exist between an insurer and the custodian of its assets, securities, or investments. The agreement must require that the custodian will indemnify for losses if loss results from theft, mysterious disappearance, damage or destruction, or negligence or dishonesty of the custodian's officers, employees, or agents. The agreement must require the custodian to promptly replace an asset or value of the asset. A bank, trust company, or securities firm may serve as custodian if authorized by the insurer and approved by the director.

Section 19. AS 21.27.010(f)(2)(B). License required.

Editorial revision to make "or" the appropriate connector consistent with identical language in (g)(1) of the section.

Section 20. AS 21.27.010(I). Attorney-in-fact License Exemption.

Clarifies that an attorney-in-fact of a reciprocal insurer who meets the qualifications to be exempt from licensure as an attorney-in-fact is not required to be licensed under AS 21.27 as a managing general agent.

Section 21. AS 21.27.040(a). Application for License.

Codifies current procedure that requires an applicant to certify under oath that the information provided on a license application is true and correct.

Section 22. AS 21.27.370(b). Shared Commissions.

Reaffirms that an unlicensed person may not share or receive a commission or any form of remuneration for business transacted in this state, nor may a licensee share commission or other form of remuneration with an unlicensed person.

Section 23. AS 21.27.390(b). Temporary License.

Conforms AS 21.27 with the requirement to issue a temporary license under AS 25.27.244 (Welfare Reform).

Section 24. AS 21.27.405(b). Investigation; cease and desist order.

Updates procedures to allow the director the flexibility to provide service of notice to a person in the most effective and efficient way.

Section 25. AS 21.27.440(a). Fines.

Provides authority for the director to fine an unlicensed person who illegally transacted the business of insurance and received a commission or other form of remuneration.

Section 26. AS 21.27.640(b)(5)(D). Third Party Administrator License Application.

Gives a third-party administrator applicant an option to submit certified financial statements for its period of operation if operations have been for less than two years in order to remove a barrier to start up operations for an applicant who would otherwise be qualified to act as a third-party administrator.

Section 27. AS 21.34.040(c)(4). Unauthorized Insurers - Lloyd's Syndicates.

Establishes solvency requirements for each syndicate or insurer of Lloyds or a similar operation.

Section 28. AS 21.34.040(c)(5). Unauthorized Insurers - Insurance Exchange.

Establishes solvency requirements for each syndicate of an insurance exchange created by the laws of another state.

Section 29. AS 21.34.180(b). Premium Tax Payment - Unauthorized.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 30. AS 21.34.190(a). Unauthorized Filing Fee.

Clarifies that the one percent fee on gross premiums is calculated on the gross premiums reported on the statement of surplus lines tax required under AS 21.34.180(b), which has been amended to allow the director to require reporting more often than annually.

Sec. 31. - Sec. 34., Sec. 43. - Sec. 56. Required Coverages or Offers of Coverage.

References to health insurance terms in these sections were changed to be consistent with the new definitions, "health care insurance" in AS 21.12.050 and "health care insurer" in

AS 21.54.900.

Use of the terms "health care insurance plan" and "health care insurer" generally clarifies that the applicability of these sections include MEWAs and, in three provisions, HMOs. This results from the use of the term "health care insurer" which is defined very broadly to include all entities that transact health care insurance. Note that the definition of "health care insurance plan" excludes limited benefit policies and supplemental coverages. In the cases where the provision is to apply to these types of policies it is explicitly added.

The changes to these sections were intended to make the sections consistent with each other in terms of applicability and with the newly defined health insurance terms under the federal law.

Note that:

Sec. 43. AS 21.42.345 was modified to conform with the minimum federal standards pursuant to P.L. 104-191 amending the Public Health Service Act (PHSA) to add Sec. 2701(f) (42 U.S.C. 300gg(f)) regarding enrollment periods for dependents. The current provision applies to both individual and group plans while the federal law applies only to group plans. However, for simplicity the changes made to conform to the federal law were made to both individual and group policies.

Sec. 45. - Sec. 46. AS 21.42.347 relating to costs of childbirth was modified to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec 2751 to PHSA (42 U.S.C. 300gg-51).

Sec. 35. AS 21.36.185. Maintenance of complaint handling records.

Establishes a requirement based on the NAIC Model Unfair Trade Practices Act for an insurer to maintain records regarding the complaints it receives. The record will assist the division in evaluating an insurer's consumer practices.

Sec. 36. AS 21.36.240. Failure to renew.

Clarifies that an insurance policy may only be non-renewed on its annual anniversary. This only applies to personal property and casualty insurance.

Sec. 37. AS 21.36.290. Policy period.

In conjunction with AS 21.36.240, clarifies the annual policy period and assures that rates for personal auto insurance may only be changed once every 6 months, even if the policy is written for a shorter time period.

Sec. 38. AS 21.36.390. Notice to director.

Adds a requirement that insurers and other licensees report producer defalcations, embezzlements, or violations to the director in much the manner as currently is required for reporting claim fraud. Lack of timely reports to the division has resulted in situations

in which harm to the public or other insurers has been exacerbated. Requires licensees as well as insurers to report fraudulent claims.

Sec. 39. AS 21.39.045(b)-- Risk classification: construction industry.

Clarifies that the credit scale recognizing differences in wages paid applies only to the construction industry.

Sec. 40. AS 21.42.130(5). Disapproval of forms.

Clarifies that rates for individual health insurance are not subject to approval consistent with current statutes that do not provide a mechanism or guidelines for such rate review.

Sec. 41. AS 21.42.205. Coordination of benefits.

Requires that benefits provided under health insurance contracts be coordinated. This coordination is applicable only when an individual is covered under more than one health insurance contract.

Sec. 42. AS 21.42.265. Effective date of coverage.

Clarifies that insurance coverage changes required by a law change become effective at renewal unless the law provides an earlier effective date for the changes.

Sec. 57. Sec. 21.53.090. Required regulations.

Under federal law long term care contracts with certain federally defined characteristics may receive favorable tax treatment. Since this creates a separate class of long term care policies and need for additional protections, the amendments to this section expand the director's authority to write specific regulations for this purpose.

Sec. 58. AS 21.54.015. Rate requirements.

Requires that rates for group health insurance contracts not be excessive, inadequate, or unfairly discriminatory to provide a consistent standard for all group health insurers.

Sec. 59.

This section adds several new sections to AS 21.54 to conform with the minimum federal standards for health care insurance in the group market as follows:

Sec. 21.54.100. Unfair discrimination.

This section is added to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec. 2702 to PHSA (42 U.S.C. 300gg-1) regarding unfair discrimination in the offer of or enrollment under a health care insurance plan.

Sec. 21.54.110. Preexisting condition exclusion.

This section is added to conform with the minimum federal standards pursuant to P.L. 104-191 Sec. 2701(a)-(b) to PHSA (42 U.S.C. 300gg(a)-(b)) relating to preexisting condition exclusions.

Sec. 21.54.120. Creditable coverage.

This section is added to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec. 2701(c)-(e) to PHSA (42 U.S.C. 300gg(c)-(e)) relating to

creditable coverage. Creditable coverage is used in determining the allowable preexisting condition waiting period or exclusion. Note that the federal law allows the states discretion in determining an allowable break in coverage in determining creditable coverage. AS 21.56 allowed a 90 day break in coverage for small employer groups and this was maintained in this section and as a result would apply to large employers as well.

Sec. 21.54.130. Renewability, termination, and modification of coverage.

This section is added to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec. 2712 to PHSA (42 U.S.C. 300gg-12) relating to guaranteed renewability, modification and termination of coverage. Subsection (f) of this section was added to allow an insurer to terminate an individual's coverage if the individual has committed fraud or intentional misrepresentation. This is not part of the federal law but was considered an oversight by the NAIC and HCFA.

Sec. 21.54.140. Renewability of coverage for a multiple employer welfare arrangement.

This section is added to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec. 703 to ERISA (29 U.S.C. 1183) relating to guaranteed renewability for MEWA plans.

Sec. 21.54.150. Mental health benefits.

This section is added to conform with the minimum federal standards relating to mental health benefits parity pursuant to the amendment to P.L. 104-191 adding Sec. 2705 to PHSA (42 U.S.C. 300gg-5).

Sec. 21.54.160. Excepted benefits defined.

This section defines the health plans that are not subject to the minimum federal standards and are termed "excepted benefits" in the federal law. These "excepted benefits" are explicitly defined in P.L. 104-191 adding Sec. 2791(c) to PHSA (42 U.S.C. 300gg-91(c)). These health plans are basically limited benefit and supplemental health insurance plans. The definition of "health care insurance plan" as proposed in this bill excludes "excepted benefits".

Sec. 21.54.170. Determination of size of employer.

This section describes how the size of an employer is to be determined as described in P.L. 104-191 adding Sec. 2791(e)(6) to PHSA (42 U.S.C. 300gg-91(e)).

Article 3. Sec. 21.54.500. Definitions.

This section adds new definitions necessary to conform with the minimum federal standards. The definitions are consistent with the definitions in P.L. 104-191 adding Sec. 2701(b), Sec. 2701(e), Sec. 2705(e) and Sec. 2791 to PHSA (42 U.S.C. 300gg(b), 42 U.S.C. 300gg(e), 42 U.S.C. 300gg-5(e), 42 U.S.C. 300gg-91 respectively)

Sec. 60. - Sec. 68. Comprehensive Health Insurance Association.

These sections amend AS 21.55 relating to the Comprehensive Health Insurance Association. P.L. 104-191 adding Sec. 2744 to PHSA (42 U.S.C. 300gg-44) allows a state to use a qualified high risk pool to guarantee portability of health insurance coverage to federally eligible individuals. The amendments to this section allow a "federally defined

eligible individual" defined in P.L. 104-191 adding Sec. 2741(b) to PHSA (42 U.S.C. 300gg-41(b)) to participate in the CHIA. Use of Alaska's high risk pool (CHIA) would be the least disruptive mechanism allowed under the federal law to reform the individual health insurance market in Alaska and therefore was the selected mechanism. Experience in other states such as Washington, New Jersey, and New York relating to the alternative mechanisms allowed in the federal law has resulted in significant increases in claims and premiums and decreases in the number of individuals insured and the number of insurance companies writing individual health insurance.

Sec. 69. - Sec. 90 Small Employer Health Reinsurance Association.

These sections amend AS 21.56 relating to health insurance coverage for small employers to remove any conflicts with the minimum federal requirements under P.L. 104-191. Certain sections of AS 21.56 were repealed and reenacted under AS 21.54 because under federal law those provisions apply to both large and small employer groups. The sections in AS 21.56 relating to guaranteed issue were amended to conform with the federal minimums for small employer groups pursuant to P.L. 104-191 adding Sec. 2711 to PHSA (42 U.S.C. 300gg-11). To the extent possible the provisions in AS 21.56 were not modified unless they would prevent application of the federal minimums.

Also, several sections are amended to change the term "association" to "reinsurance association" in order to avoid confusion with a "bona fide association" as defined in the federal law.

Sec. 77. AS 21.56.075. Premium report.

This is a new section that requires members of the Small Employer Reinsurance Association to report to the director on an annual basis the total amount of small employer health insurance premiums written in the state. While not required by federal law, this section will significantly improve the ability of the Association to assess Association members for losses.

Sec. 91. AS 21.66.110(a). Premium Tax Payment - Title Insurance.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec. 92. AS 21.66.390(a). Making of rates.

Adds investment income as one of the elements to be considered when evaluating the rates charged by title insurers.

Sec. 93. AS 21.69.310(a). Annual Meeting Location.

Allows the director upon show of good cause to approve a domestic insurer's request to hold its required annual meeting in a city outside of the location of its principal office or place of business.

Sec. 94. AS 21.69.520(a). Borrowed Funds.

Requires director approval for an insurer to borrow funds when a written agreement requires that the money be repaid only out of the insurer's excess surplus and removes permission for an insurer to borrow money in this manner for any purpose of the insurer's business.

Sec. 95. AS 21.75.045(a). Attorney-in-fact License Exemption.

Expands the exception for being licensed as an attorney-in-fact to all reciprocal insurers. The exemption is allowed when the attorney-in-fact is a wholly-owned subsidiary of the reciprocal insurer who only acts for the one reciprocal. Attorneys-in-fact who operate more than one reciprocal insurer must be licensed under this section.

Sec. 96. AS 21.76.020(b). Joint Insurance Arrangement Reporting.

Specifies that the report prepared by a joint insurance arrangement and filed with the legislative budget and audit committee shall also be filed with the director.

Sec. 97. AS 21.76.080(e). Joint Insurance Arrangement Reporting.

Allows for the report filed by the joint insurance arrangement with its board of directors and the director to be an audit based on generally accepted accounting principles rather than requirements established by the director. A report filed with the director is open to public inspection unless specifically precluded by statute.

Sec. 98. AS 21.78.293(b). Receiver's recommendation to the court.

In order to reduce litigation over claims and thereby expedite the closure of a receivership estate (to the benefit of insurance policyholders and other claimants), the superior court shall review and adopt the receiver's report on claims by using the substantial evidence standard. The period of disapproving claims is extended to 120 days.

Sec. 99. AS 21.84.590. Other provisions applicable.

This amendment clarifies that the minimum federal standards apply to Fraternal Benefit Societies.

Sec. 100. - Sec. 102. Health Maintenance Organizations.

These sections amend AS 21.86 relating to HMOs in order to conform with the minimum federal standards pursuant to P.L. 104-191 adding Sec. 2701(g) to PHSA (42 U.S.C. 300gg(g)).

Sec. 103. AS 21.87.140(c)(1). Medical service agreements.

Updates terminology of participant provider contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Sec. 104. AS 21.87.150(c)(1). Hospital service agreements.

Updates terminology of participant hospital contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Sec. 105. AS 21.87.180(a). Filing and approval of agreements and contracts.
Conforms form filing requirements for medical and hospital service corporations to similar requirements for other insurers subject to form filing.

Sec. 106. AS 21.87.190(b). Subscription rates, fees, and payments.
Clarifies rate filing requirements. Allows the director discretion to protect medical and hospital service corporations from competitive disadvantage that may arise from disclosing rating formulas when other health insurers are not required to file rates for approval and disclose rating formulas.

Sec. 107. AS 21.87.200. Reserves.
Requires that hospital or medical service corporations have minimum reserve standards and reporting consistent with other health insurers.

Sec. 108. AS 21.87.340. Other provisions applicable.
Amendments in this section clarify that the minimum federal standards apply to Hospital and Medical Service Corporations.

Sec. 109. AS 21.89.020(g) -- Short term auto policy.
Clarifies that the requirements of AS 21.36.210 - 21.36.310 do not apply to seven-day policies.

Sec. 110. AS 21.90.900(29). Definitions for title.
The definition of policy is modified to extend to group certificates issued in Alaska when the group policy is issued and delivered outside of Alaska to ensure consistency in application of state law to all group health care plans covering individuals resident in Alaska. The new minimum federal standards apply to such certificates and without this amendment Alaska may have difficulty asserting regulatory authority over such certificates. Failure to regulate group certificates could result in the federal government determining that Alaska is not substantially enforcing the minimum federal standards resulting in federal regulation of Alaska's health insurance market.

Sec. 111. AS 21.90.900. Definitions for title.
This section adds two new definitions. The term "certified financial statement" is added to clarify its meaning in relation to licensing requirements. This term "medical care" as defined in P.L. 104-191 adding Sec. 2791(a)(2) to PHSA (42 U.S.C. 300gg-91(a)(2)) is added since it is needed in order to define "health care insurance".

Sec. 112. Repeal.
This section repeals the sections in AS 21.56 relating to small employer health insurance that conflict with federal law. As stated above many of the provisions were modified and moved to AS 21.54 since they apply to both large and small groups under the federal law.

AS 21.42.375(d) (mammography) and AS 21.42.395(d) (prostate and cervical cancer

screening) exclude limited and supplemental benefit plans from the applicability of the provisions and since these are excluded by use of the newly defined term "health care insurance plan" these sections were repealed.

Also this section corrects an oversight by repealing Chapter 81 that was superseded by legislation enacted in 1995 (AS 21.09.310).

Sec. 113, Sec. 116, and Sec. 119. Mental health insurance effective dates.

These sections establish the effective date of January 1, 1998 and sunset on September 20, 2001 of the mental health insurance provisions required under the federal law.

Sec. 114. and Sec. 115. Repeal of sunset provisions.

These sections repeal the sunset provisions in AS 21.56 relating to Small Employer Health Insurance and the Dental, Vision and Hearing provision in AS 21.42.385. The repeal of AS 21.56 is necessary since the availability provisions in AS 21.56 are required by federal law which do not sunset.

Sec. 117. and Sec. 118. Effective dates.

Sec. 6, 7, 27-30, and 91 take effect on January 1, 1998. All other sections take effect on July 1, 1997.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE MEMBERS:

REPRESENTATIVE NORMAN ROKEBERG, CHAIRMAN
REPRESENTATIVE JOHN COWDERY, VICE CHAIRMAN
REPRESENTATIVE BILL HUDSON
REPRESENTATIVE JOE RYAN
REPRESENTATIVE JERRY SANDERS
REPRESENTATIVE TOM BRICE
REPRESENTATIVE GENE KUBINA
COMMITTEE HEARING ROOM 17 STATE CAPITOL



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ANCHORAGE, AK 99501
PHONE: (907) 258-8191
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SESSION:
STATE CAPITOL, ROOM 24
JUNEAU, AK 99801-1182
PHONE: (907) 465-4954
FAX: (907) 465-2040

Labor and Commerce Committee

MEMORANDUM

TO: Representative Mark Hanley, Co-Chairman
Representative Gene Therriault, Co Chairman

FROM: Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee

DATE: May 1, 1997

SUBJECT: SB 104/HB 218 - Omnibus Insurance Reform

The House Labor and Commerce Committee (L&C) held approximately 8 hours of public hearing on the Kassenbaum/Kennedy federal health insurance portability legislation as well as the changes requested by the Department of Commerce and Economic Development, Division of Insurance.

Attached are two amendments that were considered by the House L&C Committee. All members of the House L&C Committee voted to recommend that the amendment marked Revised Number 2 (AKA Donley Amendment) be incorporated into SB 104 and voted no recommendation for the second amendment marked Revised Number 3 (AKA Duncan Amendment).

Passage of this bill this year is essential in order to remain in compliance with the federal changes in health insurance reform and maintain "primacy" for insurance regulation at the state level. If you have any questions, please have your staff contact Shirley Armstrong at 465-4954.

AMENDMENT

R2

OFFERED IN THE HOUSE

TO: Draft CSHB 218(L&C) ("B" Version, Dated 4/17/97)

Adopted
to send to the
SB104

1 Page 1, line 8, following "provisions;":

2 Insert "requiring that uninsured and underinsured motor vehicle insurance apply
3 to claims of an insured even if other policy limits are not exhausted;"

w/o

4 Page 2, line 4:

5 Delete "and 110 - 116"

6 Insert "110, 111, 113 - 117, and 120"

objection

7 Page 74, following line 1:

8 Insert a new bill section to read:

9 ** Sec. 112. AS 28.40.100(a)(22) is amended to read:

10 "(22) "underinsured motor vehicle" means a motor vehicle licensed for
11 highway use with respect to ownership, operation, maintenance, or use for which there
12 is a bodily injury or property damage insurance policy or a bond applicable at the
13 time of an accident and the amount of insurance or bond

language change
in R2 would
require no
title change

14 [(A)] is less than the amount the covered person is legally
15 entitled to recover for bodily injury or property damage from an
16 uninsured or underinsured motorist [LIMIT FOR UNINSURED AND
17 UNDERINSURED COVERAGE OF THE INSURED'S POLICY; OR

18 (B) HAS BEEN REDUCED BY PAYMENTS TO PERSONS
19 OTHER THAN AN INSURED, INJURED IN AN ACCIDENT, TO LESS
20 THAN THE LIMIT FOR UNINSURED AND UNDERINSURED
21 COVERAGE OF THE INSURED'S POLICY];"

22 Renumber the following bill sections accordingly.

1 Page 74, line 3:

2 Delete "and AS 21.81"

3 Insert "AS 21.81; AS 28.20.445(h); and AS 28.22.211"

4 Page 74, line 9:

5 Delete "secs. 116, 117, and 119"

6 Insert "secs. 117, 118, and 120"

7 Page 74, line 11:

8 Delete "Section 113"

9 Insert "Section 114"

R3

AMENDMENT

OFFERED IN THE HOUSE

TO: Draft CSHB 218(L&C) ("B" Version, Dated 4/17/97)

move
pass
on to
Nestle
Comm AFIN
W/N/D see
no objection

- 1 Page 2, line 4:
- 2 Delete "and 110 - 116"
- 3 Insert "110, 111, 114 - 118, and 121"

- 4 Page 74, following line 1:
- 5 Insert new bill sections to read:
- 6 ** Sec. 112. AS 28.20.440 is amended by adding a new subsection to read:
- 7 (l) Notwithstanding any other provisions of law, a person who resides in the
- 8 same household as the person named as insured or a person who is a relative of a
- 9 person named as insured shall be excluded from coverage under a motor vehicle
- 10 liability policy if a person named as insured requests that that person be excluded
- 11 from coverage.
- 12 * Sec. 113. AS 28.22.101 is amended by adding a new subsection to read:
- 13 (g) Notwithstanding any other provisions of law, a person who resides in the
- 14 same household as the person named as insured or a person who is a relative of a
- 15 person named as insured shall be excluded from coverage under a motor vehicle
- 16 liability policy if a person named as insured requests that that person be excluded
- 17 from coverage."

- 18 Renumber the following bill sections accordingly.

- 19 Page 74, line 9:
- 20 Delete "secs. 116, 117, and 119"
- 21 Insert "secs. 118, 119, and 121"

- 1 Page 74, line 11:
- 2 Delete "Section 113"
- 3 Insert "Section 115"

APR 30 1997



Alaska
Rural
Electric
Cooperative
Association, Inc.

703 W. Tudor Rd., #200
Anchorage, AK 99503-6650
(907) 561-6103
FAX (907) 561-5547

Rep. Norman Rokeberg, Chairman
Labor & Commerce Committee
House of Representatives, Alaska Legislature
State Capitol, Room 24
Juneau, AK. 99801-1182

Re: HB 218

Dear Representative Rokeberg:

I am writing to express some concern about one specific section of the above referenced bill currently referred to your committee.

I understand that most of this bill is simply clarifying and updating language already existing as it relates to the business of conducting insurance. Other aspects of this bill seem to provide additional protection for Alaska's citizens. Given these issues, I can see why this bill is needed.

However one provision gives me reason for concern, Sec. 53 AS 21.90.900 (29) would amend the definition of a "policy" to include *certificates of insurance or other evidences of insurance that establishes the written contract of or written agreement for or effecting insurance for an insured or other beneficiary of the entity.*

The proposed wording of this provision is not clear as to the definition of "other evidence of insurance". The language is also ambiguous as to the definition of "other beneficiary of the entity". Without clarity I believe that these provisions may result in additional and costly litigation for both insurers and policyholders.

"Certificates of insurance" have not traditionally been held to be part of the policy. In fact each ACCORD certificate (the industry standard) includes special wording that specifies the document is not binding.

Top Section, Above "Companies Affording Coverage"

"This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies below".

Bottom Section, Above 'Cancellation'

" Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail ____ days written notice to the certificate holder named to the left, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

Adoption of the proposed wording will create an ambiguity between the language of the certificate and the statute. Special certificates will have to drawn up for use on Alaska business, which adds to the administrative and expense burden for both agents and insurers.

You should be aware that brokers or agents, not insurers, normally issue certificates of insurance. This provision may put great strain on the agency relationships within the independent agency system. Right now it does not require agents binding authority to issue certificates. The proposed wording could conceivably change this.

Finally, the majority of certificates evidence insurance for many policies having different terms and different insurers. The proposed wording would in effect make a single certificate a binding part of many policies written through many insurers. It should not be anticipated that one document drafted by an agent/broker will apply well to multiple coverages with diverse wording. The study of policy language is complex and insurers commonly have entire departments that are dedicated to just such intricacies.

Each one of these issues are likely to result in increased misunderstandings and resultant litigation between policyholders their insurers and agent/brokers.

Please reconsider this particular provision in favor of removing the language making certificates of insurance and other evidences of insurance part of a policy by definition.

Sincerely,



Eric Yould
Executive Director

Cc: Rep. Pete Kott

#1

A M E N D M E N T

OFFERED IN THE HOUSE

TO: Draft CSHB 218(L&C) ("B" Version, Dated 4/17/97)

1 Page 2, line 4:

2 Delete "and 110 - 116"

3 Insert "111 - 117, and 120"

4 Page 73, following line 6:

5 Insert a new bill section to read:

6 ** Sec. 109. AS 21.89.020(f) is amended to read:

7 (f) An automobile liability insurance policy must provide

8 (1) that all expenses and fees, not including counsel fees or adjuster
9 fees, incurred because of arbitration or mediation shall be paid as determined by the
10 arbitrator;

11 (2) liability coverage in the amount set out in AS 28.22.101(d) for
12 motor vehicles rented in the United States or Canada by a person insured under the
13 policy;

14 (3) physical damage coverage for motor vehicles rented in the United
15 States or Canada, if the policy provides physical damage coverage; if the insured
16 declines physical damage coverage, the insurer shall offer physical damage coverage
17 for rented vehicles;

18 (4) that payments from applicable coverage provided under (2) and
19 (3) of this subsection will be made in the following order of priority:

20 (A) from a policy or coverage purchased by the operator
21 from the person who has the vehicle available for rent;

22 (B) from a policy or coverage covering the operator of a
23 rented vehicle but not purchased from the person who has the vehicle
24 available for rent; and

AMENDMENT #2

OFFERED IN THE HOUSE

TO: Draft CSHB 218(L&C) ("B" Version, Dated 4/17/97)

1 Page 1, line 8, following "provisions;":

2 Insert "requiring that uninsured and underinsured motor vehicle insurance apply
3 to claims of an insured even if other policy limits are not exhausted;"

4 Page 2, line 4:

5 Delete "and 110 - 116"

6 Insert "110, 111, 113 - 117, and 120"

7 Page 74, following line 1:

8 Insert a new bill section to read:

9 ** Sec. 112. AS 28.22.201(a) is amended to read:

10 (a) The uninsured and underinsured motorists coverage required under this
11 chapter

12 (1) applies [DOES NOT APPLY] to bodily injury, sickness, disease,
13 or death of an insured or damage to or destruction of property of an insured even if
14 [UNTIL] the limits of liability bonds and policies that apply have not been used up
15 by payments or judgments or settlements; however, the insurer shall, in each
16 instance, receive a credit against the insured's total damages for amounts actually
17 received by the insured for covered claims from other sources, including liability
18 bonds, other insurance policies, judgments, or settlements;

19 (2) must be a single combined coverage; and

20 (3) may be rejected by the insured in writing; if the insured has
21 rejected uninsured or underinsured coverage, the coverage may not be included in a
22 supplemental, renewal, or replacement policy unless the insured subsequently requests
23 uninsured or underinsured coverage in writing."

1 Renumber the following bill sections accordingly.

2 Page 74, line 3:

3 Delete "and AS 21.81"

4 Insert "AS 21.81; AS 28.20.445(c), 28.20.445(h); AS 28.22.211; and

5 AS 28.40.100(a)(22)"

6 Page 74, line 9:

7 Delete "secs. 116, 117, and 119"

8 Insert "secs. 117, 118, and 120"

9 Page 74, line 11:

10 Delete "Section 113"

11 Insert "Section 114"

AMENDMENT

#3

OFFERED IN THE HOUSE

TO: Draft CSHB 218(L&C) ("B" Version, Dated 4/17/97)

1 Page 2, line 4:

2 Delete "and 110 - 116"

3 Insert "110, 111, 113 - 117, and 120"

4 Page 74, following line 1:

5 Insert a new bill section to read:

6 "** Sec. 112. AS 28.22.101 is amended by adding a new subsection to read:

7 (g) Notwithstanding any other provisions of law, a person who resides in the
8 same household as the person named as insured or a person who is a relative of the
9 person named as insured shall be excluded from coverage under a motor vehicle
10 liability policy if the person named as insured requests that that person be excluded
11 from coverage."

12 Renumber the following bill sections accordingly.

13 Page 74, line 9:

14 Delete "secs. 116, 117, and 119"

15 Insert "secs. 117, 118, and 120"

16 Page 74, line 11:

17 Delete "Section 113"

18 Insert "Section 114"

A M E N D M E N T

#4 Passed Senate

BY SENATOR DONLEY

OFFERED IN THE SENATE

TO: CSSB 104(FIN) ("H" Version, Dated 4/14/97)

1 Page 1, line 8, following "provisions;":

2 Insert "requiring that uninsured and underinsured motor vehicle insurance apply
3 to claims of an insured even if other policy limits are not exhausted;"

4 Page 2, line 4:

5 Delete "and 110 - 116"

6 Insert "110, 111, and 113 - 117"

Indelible
HB 218??

7 Page 74, following line 1:

8 Insert a new bill section to read:

9 "* Sec. 112. AS 28.22.201(a) is amended to read:

10 (a) The uninsured and underinsured motorists coverage required under this
11 chapter

12 (1) applies [DOES NOT APPLY] to bodily injury, sickness, disease,
13 or death of an insured or damage to or destruction of property of an insured even if
14 [UNTIL] the limits of liability bonds and policies that apply have not been used up
15 by payments or judgments or settlements; however, the insurer shall, in each
16 instance, receive a credit against the insured's total damages for amounts actually
17 received by the insured for covered claims from other sources, including liability
18 bonds, other insurance policie , judgments, or settlements;

19 (2) must be a single combined coverage; and

20 (3) may be rejected by the insured in writing; if the insured has
21 rejected uninsured or underinsured coverage, the coverage may not be included in a
22 supplemental, renewal, or replacement policy unless the insured subsequently requests
23 uninsured or underinsured coverage in writing."

1 Renumber the following bill sections accordingly.

2 Page 74, line 3:

3 Delete "and AS 21.81"

4 Insert "AS 21.81; AS 28.20.445(c), 28.20.445(h); AS 28.22.211; and
5 AS 28.40.100(a)(22)"

6 Page 74, line 9:

7 Delete "secs. 116, 117, and 119"

8 Insert "secs. 117, 118, and 120"

9 Page 74, line 11:

10 Delete "Section 113"

11 Insert "Section 114"

A M E N D M E N T

#2 did not pass

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: Draft CSSB 104(FIN) ("H" Version, Dated 4/14/97)

1 Page 1, line 1, following "agents;":

2 Insert "relating to payment of covered loss claims;"

3 Page 2, lines 3 - 4:

4 Delete "43 - 57, 59 - 90, 99 - 102, 108, and 110 - 116"

5 Insert "44 - 58, 60 - 91, 100 - 103, 109, and 111 - 117"

6 Page 24, following line 12:

7 Insert a new bill section to read:

8 **** Sec. 43.** AS 21.42 is amended by adding a new section to read:

9 **Sec. 21.42.305. Required payment of loss claim; civil penalty.** An insurer
10 shall make a covered loss payment within 90 days after the date the insurer
11 determines that an insured has a covered loss under an insurance policy. After the
12 insurer makes payment required under this section, if the insured obtains judgment for
13 damages resulting from the covered loss and the judgment is at least 10 percent
14 greater than the covered loss payment made by the insurer, the insurer shall also pay
15 a civil penalty equal to the difference between reasonable actual attorney fees and
16 actual costs incurred by the insured in obtaining the judgment and the attorney fees
17 and costs received by the insured under the Alaska Rules of Civil Procedure."

18 Renumber the following bill sections accordingly.

19 Page 74, line 4:

20 Delete "sec. 59"

21 Insert "sec. 60"

1 Page 74, line 7:

2 Delete "sec. 59"

3 Insert "sec. 60"

4 Page 74, line 8:

5 Delete "sec. 91"

6 Insert "sec. 92"

7 Page 74, line 9:

8 Delete "secs. 116, 117, and 119"

9 Insert "secs. 117, 118, and 120"

10 Page 74, line 11:

11 Delete "sec. 113"

12 Insert "sec. 114"

did not pass

A M E N D M E N T #1

OFFERED IN THE SENATE

BY SENATOR DONLEY

TO: CSSB 104(FIN) ("H" Version, Dated 4/14/97)

1 Page 2, line 4:

2 Delete "110 - 116"

3 Insert "111 - 117"

4 Page 73, following line 6:

5 Insert a new bill section to read:

6 **** Sec. 109.** AS 21.89.020(f) is amended to read:

7 (f) An automobile liability insurance policy must provide

8 (1) that all expenses and fees, not including counsel fees or adjuster
9 fees, incurred because of arbitration or mediation shall be paid as determined by the
10 arbitrator;

11 (2) liability coverage in the amount set out in AS 28.22.101(d) for
12 motor vehicles rented in the United States or Canada by a person insured under the
13 policy;

14 (3) physical damage coverage for motor vehicles rented in the United
15 States or Canada, if the policy provides physical damage coverage; if the insured
16 declines physical damage coverage, the insurer shall offer physical damage coverage
17 for rented vehicles;

18 (4) that payments from applicable coverage provided under (2) and
19 (3) of this subsection will be made in the following order of priority:

20 (A) from a policy or coverage purchased by the operator
21 from the person who has the vehicle available for rent;

22 (B) from a policy or coverage covering the operator of a
23 rented vehicle but not purchased from the person who has the vehicle
24 available for rent; and

APR 22 1997

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 22, 1997

SUBJECT: Sectional Summary of CSHB 218(L&C)

TO: Representative Norman Rokeberg
Attn: Shirley

FROM: Michael F. Ford 
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Sec. 1. Purpose. Indicates that the purpose of sections 3, 11, 12, 31-34, 43-57, 59-90, 99-102, 108, 110-116, and 119 of this Act is to implement the minimum federal standards for health care insurance enacted under P.L. 104-191 (Health Insurance Portability and Accountability Act of 1996).

Sec 2. AS 21.06.030. Deputies and assistants.

This section reaffirms that persons participating on advisory committees of the Division of Insurance do not receive payment for transportation or per diem expense. The Division of Insurance has routinely secured public input on insurance regulatory issues using a variety of advisory committees. Volunteers, including many insurance professionals providing technical input, have served without compensation from the state, recognizing that if transportation or per diem expenses were paid by the division the costs would be passed back to them through higher license fees or higher insurance premiums reflecting increased administrative costs. The possibility that payment might be required under AS 39.20.180 has recently been brought to the division's attention.

Sec. 3. AS 21.06.085. Uniform data and procedures for health claims.

The changes to this section make the terms consistent with the newly defined health insurance terms under federal law (HIPAA).

Sec. 4. AS 21.06.110. Director's annual report.

Representative Norman Rokeberg

April 22, 1997

Page 2

Updates information required to be included in the division's annual report to reflect current practices regarding issuance of certificates of authority and primary regulation of domestic insurers.

Sec. 5. AS 21.06.160(a). Examination cost.

Clarifies this subsection to allow the calculation of a reasonable per hour charge for examination services to include approximated division overhead expenses such as word processing services, facilities and supplies, computer systems, etc. and that out-of-pocket expenses including travel costs shall be paid by the person being examined.

Sec. 6. AS 21.09.210(b). Premium tax payment - admitted insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec. 7. AS 21.09.210(d). Premium tax payment - admitted wet marine and transportation insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec. 8. AS 21.09.245. Amendments to certificate of authority.

This is a new section that requires an authorized insurer to file with the division within 30 days a name change, domiciliary state change, or other information on its certificate of authority. Amendment to the insurer's articles of incorporation or bylaws, a change of business address or phone number, and other information as designated by the director must be filed within 90 days, and provide for penalties for noncompliance.

Sec. 9. AS 21.09.320. Maintenance of records.

This new section that identifies which records are required to be kept by admitted insurers domiciled in another state. Retention times are specified. Domestic insurers are subject to existing and unchanged provisions. The lack of requirements for other admitted insurers has impeded the division's regulatory oversight including examinations and other investigations.

Sec. 10. AS 21.12.020(a)(4)(A)(iii). Accredited reinsurer qualifications.

Removes a requirement for a certification of insurer solvency from an insurer's domiciliary regulator because some foreign countries do not provide such certifications. Certification will still be required from the insurer's public accountant.

Sec. 11. AS 21.12.050. Health insurance defined.

This section defines "health care insurance" which is consistent with the definition of "health insurance coverage" in 42 U.S.C. 300gg-91(b). The federal definition differs from the current state definition and since Alaska's definition is broader, the federal definition was defined as a subset of the Alaska definition. This section also adds stop loss insurance to the

definition of health insurance to affirm that life and health insurers are permitted to write stop loss coverage.

Sec. 12. AS 21.12.050.

Definition of health care insurance and stop loss insurance as referenced in Sec. 11 AS 21.12.050.

Sec. 13. AS 21.14.010(a). Risk-based capital filing.

Clarifies that a domestic insurer must submit its risk-based capital report to the director without a specific request.

Sec. 14. AS 21.14.200(18). Risk-based capital instructions.

Clarifies that instructions can be adopted by order of the director after an open meeting since the complexity of the calculation, its continual refinement, and insurer need for nationwide consistency, regulations are an inappropriate way to provide instructions to insurers.

Sec. 15. AS 21.18.050(4). Capital stock and liabilities charged against assets.

Requires that the minimum reserves for health insurance established in AS 21.18.080-21.18.086 be charged against an insurer's admitted assets for the purpose of determining the insurer's statutory financial condition.

Sec. 16. AS 21.18.080. Reserve standards for health insurance.

Defines an appropriate standard for minimum reserves for health insurance. Requires that reserve adequacy be determined by a gross premium valuation considering the sum of policy reserves, claims reserves, and premium reserves established under AS 21.18.082-AS 21.18.086.

Sec. 17. New sections are added to provide for minimum health insurance reserve standards.

AS 21.18.082. Policy reserves for health insurance.

This section defines which policies require a policy reserve and how to calculate the reserve based on minimum standards relating to interest rates, policy termination, morbidity, and reserve method.

AS 21.18.084. Claim reserves for health insurance.

This section establishes that claim reserves are required for all incurred and unpaid claims, including associated expenses, on health insurance policies.

AS 21.18.086. Premium reserves for health insurance.

This section establishes premium reserve requirements that include standards for accounting, discounting, methodology, and minimum levels of unearned premium reserves as they relate to policy reserves.

Sec. 18. AS 21.21.410. Custodian agreements.

Requires that a written agreement exist between an insurer and the custodian of its assets, securities, or investments. The agreement must require that the custodian will indemnify for losses if loss results from theft, mysterious disappearance, damage or destruction, or negligence or dishonesty of the custodian's officers, employees, or agents. The agreement must require the custodian to promptly replace an asset or value of the asset. A bank, trust company, or securities firm may serve as custodian if authorized by the insurer and approved by the director.

Sec. 19. AS 21.27.010(f)(2)(B). License required.

Technical change to make "or" the appropriate connector consistent with identical language in (g)(1) of the section.

Sec. 20. AS 21.27.010(I). Attorney-in-fact license exemption.

Clarifies that an attorney-in-fact of a reciprocal insurer who meets the qualifications to be exempt from licensure as an attorney-in-fact is not required to be licensed under AS 21.27 as a managing general agent.

Sec. 21. AS 21.27.040(a). Application for license.

Requires an applicant to certify under oath that the information provided on a license application is true and correct.

Sec. 22. AS 21.27.370(b). Shared commissions.

Provides that an unlicensed person may not share or receive a commission or any form of remuneration for business transacted in this state, nor may a licensee share commission or other form of remuneration with an unlicensed person.

Sec. 23. AS 21.27.390(b). Temporary license.

Conforms AS 21.27 with the requirement to issue a temporary license under AS 25.27.244 (Welfare Reform).

Sec. 24. AS 21.27.405(b). Investigation; cease and desist order.

Establishes procedures to allow the director to serve notice to a person.

Sec. 25. AS 21.27.440(a). Fines.

Provides authority for the director to fine an unlicensed person who illegally transacted the business of insurance and received a commission or other form of remuneration.

Sec. 26. AS 21.27.640(b)(5)(D). Third-party administrator license application.

Gives a third-party administrator applicant an option to submit certified financial statements for its period of operation if operations have been for less than two years in order to remove

a barrier to start up operations for an applicant who would otherwise be qualified to act as a third-party administrator.

Sec. 27. AS 21.34.040(c)(4). Unauthorized insurers - Lloyds syndicates.

Establishes solvency requirements for each syndicate or insurer of Lloyds or a similar operation.

Sec. 28. AS 21.34.040(c)(5). Unauthorized insurers - insurance exchange.

Establishes solvency requirements for each syndicate of an insurance exchange created by the laws of another state.

Sec. 29. AS 21.34.180(b). Premium tax payment - unauthorized.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec. 30. AS 21.34.190(a). Unauthorized filing fee.

Clarifies that the one percent fee on gross premiums is calculated on the gross premiums reported on the statement of surplus lines tax required under AS 21.34.180(b), which has been amended to allow the director to require reporting more often than annually.

Sec. 31. - Sec. 34., Sec. 43. - Sec. 56. Required coverages or offers of coverage.

References to health insurance terms in these sections were changed to be consistent with the new definitions, "health care insurance" in AS 21.12.050 and "health care insurer" in AS 21.54.900.

Use of the terms "health care insurance plan" and "health care insurer" generally clarifies that the applicability of these sections include MEWAs and, in three provisions, HMOs. This results from the use of the term "health care insurer" which is defined very broadly to include all entities that transact health care insurance. Note that the definition of "health care insurance plan" excludes limited benefit policies and supplemental coverages. In the cases where the provision is to apply to these types of policies it is explicitly added.

The changes to these sections were intended to make the sections consistent with each other in terms of applicability and with the newly defined health insurance terms under the federal law.

Note that:

Sec. 43. AS 21.42.345 was modified to conform with the minimum federal standards pursuant to P.L. 104-191 amending the Public Health Service Act (PHSA) to add Sec. 2701(f) (42 U.S.C. 300gg(f)) regarding enrollment periods for dependents. The current provision applies to both individual and group plans while the federal law

applies only to group plans. However, for simplicity the changes made to conform to the federal law were made to both individual and group policies.

Sec. 45. - Sec. 46. AS 21.42.347 relating to costs of childbirth was modified to conform with the minimum federal standards under 42 U.S.C. 300gg-51.

Sec. 35. AS 21.36.185. Maintenance of complaint handling records.

Establishes a requirement based on the NAIC Model Unfair Trade Practices Act for an insurer to maintain records regarding the complaints it receives. The record will assist the division in evaluating an insurer's consumer practices.

Sec. 36. AS 21.36.240. Failure to renew.

Clarifies that an insurance policy may only be non-renewed on its annual anniversary. This only applies to personal property and casualty insurance.

Sec. 37. AS 21.36.290. Policy period.

In conjunction with AS 21.36.240, clarifies the annual policy period and assures that rates for personal auto insurance may only be changed once every 6 months, even if the policy is written for a shorter time period.

Sec. 38. AS 21.36.390. Notice to director.

Adds a requirement that insurers and other licensees report producer defalcations, embezzlements, or violations to the director in much the manner as currently is required for reporting claim fraud. Requires licensees as well as insurers to report fraudulent claims.

Sec. 39. AS 21.39.045(b)-- Risk classification: construction industry.

Clarifies that the credit scale recognizing differences in wages paid applies only to the construction industry.

Sec. 40. AS 21.42.130(5). Disapproval of forms.

Clarifies that rates for individual health insurance are not subject to approval consistent with current statutes that do not provide a mechanism or guidelines for such rate review.

Sec. 41. AS 21.42.205. Coordination of benefits.

Requires that benefits provided under health insurance contracts be coordinated. This coordination is applicable only when an individual is covered under more than one health insurance contract.

Sec. 42. AS 21.42.265. Effective date of coverage.

Clarifies that insurance coverage changes required by a change in law become effective only at renewal unless the law provides an earlier effective date for the changes.

Sec. 57. Sec. 21.53.090. Required regulations.

Under federal law long term care contracts with certain federally defined characteristics may receive favorable tax treatment. Since this creates a separate class of long term care policies and need for additional protections, the amendments to this section expand the director's authority to write specific regulations for this purpose.

Sec. 58. AS 21.54.015. Rate requirements.

Requires that rates for group health insurance contracts not be excessive, inadequate, or unfairly discriminatory to provide a consistent standard for all group health insurers.

Sec. 59.

This section adds several new sections to AS 21.54 to conform with the minimum federal standards for health care insurance in the group market as follows:

Sec. 21.54.100. Unfair discrimination.

This section is added to conform with the minimum federal standards (42 U.S.C. 300gg-1) regarding unfair discrimination in the offer of or enrollment under a health care insurance plan.

Sec. 21.54.110. Preexisting condition exclusion.

This section is added to conform with the minimum federal standards (42 U.S.C. 300gg(a)-(b)) relating to preexisting condition exclusions.

Sec. 21.54.120. Creditable coverage.

This section is added to conform with the minimum federal standards (42 U.S.C. 300gg(c)-(e)) relating to creditable coverage. Creditable coverage is used in determining the allowable preexisting condition waiting period or exclusion. Note that the federal law allows the states discretion in determining an allowable break in coverage in determining creditable coverage. AS 21.56 allowed a 90 day break in coverage for small employer groups and this provision is maintained in this section and as a result would apply to large employers as well.

Sec. 21.54.130. Renewability, termination, and modification of coverage.

This section is added to conform with the minimum federal standards (42 U.S.C. 300gg-12) relating to guaranteed renewability, modification and termination of coverage. Subsection (f) of this section was added to allow an insurer to terminate an individual's coverage if the individual has committed fraud or intentional misrepresentation. This is not part of the federal law but is considered an oversight by the NAIC and HCFA.

Sec. 21.54.140. Renewability of coverage for a multiple employer welfare arrangement.

This section is added to conform with the minimum federal standards (29 U.S.C. 1183) relating to guaranteed renewability for MEWA plans.

Sec. 21.54.150. Mental health benefits.

This section is added to conform with the minimum federal standards (42 U.S.C. 300gg-5).

Sec. 21.54.160. Excepted benefits defined.

This section defines the health plans that are not subject to the minimum federal standards and are termed "excepted benefits" in the federal law. These "excepted benefits" are explicitly defined in 42 U.S.C. 300gg-91(c). These health plans are basically limited benefit and supplemental health insurance plans. The definition of "health care insurance plan" as proposed in this bill excludes "excepted benefits".

Sec. 21.54.170. Determination of size of employer.

This section describes how the size of an employer is to be determined as described in 42 U.S.C. 300gg-91(e).

Article 3. Sec. 21.54.500. Definitions.

This section adds new definitions necessary to conform with the minimum federal standards. The definitions are consistent with the definitions in 42 U.S.C. 300gg(b), 42 U.S.C. 300gg(e), 42 U.S.C. 300gg-5(e), 42 U.S.C. 300gg-91 respectively.

Sec. 60. - Sec. 68. Comprehensive Health Insurance Association.

These sections amend AS 21.55 relating to the Comprehensive Health Insurance Association. 42 U.S.C. 300gg-44 allows a state to use a qualified high risk pool to guarantee portability of health insurance coverage to federally eligible individuals. The amendments to this section allow a "federally defined eligible individual" defined in 42 U.S.C. 300gg-41(b) to participate in the CHIA. Use of Alaska's high risk pool (CHIA) would be the least disruptive mechanism allowed under the federal law to reform the individual health insurance market in Alaska and therefore was the selected mechanism. Experience in other states such as Washington, New Jersey, and New York relating to the alternative mechanisms allowed in the federal law has resulted in significant increases in claims and premiums and decreases in the number of individuals insured and the number of insurance companies writing individual health insurance.

Sec. 69. - Sec. 90. Small Employer Health Reinsurance Association.

These sections amend AS 21.56 relating to health insurance coverage for small employers to remove any conflicts with the minimum federal requirements under P.L. 104-191. Certain sections of AS 21.56 were repealed and reenacted under AS 21.54 because under federal law those provisions apply to both large and small employer groups. The sections in AS 21.56 relating to guaranteed issue were amended to conform with the federal minimums for small employer groups pursuant to 42 U.S.C. 300gg-11. To the extent possible the provisions in AS 21.56 were not modified unless they would prevent application of the federal minimums.

Also, several sections are amended to change the term "association" to "reinsurance association" in order to avoid confusion with a "bona fide association" as defined in the federal law.

Sec. 77. AS 21.56.075. Premium report.

This is a new section that requires members of the Small Employer Reinsurance Association to report to the director on an annual basis the total amount of small employer health insurance premiums written in the state. While not required by federal law, this section will significantly improve the ability of the Association to assess Association members for losses.

Sec. 91. AS 21.66.110(a). Premium tax payment - title insurance.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Sec. 92. AS 21.66.390(a). Making of rates.

Adds investment income as one of the elements to be considered when evaluating the rates charged by title insurers.

Sec. 93. AS 21.69.310(a). Annual meeting location.

Allows the director upon show of good cause to approve a domestic insurer's request to hold its required annual meeting in a city outside of the location of its principal office or place of business.

Sec. 94. AS 21.69.520(a). Borrowed funds.

Requires director approval for an insurer to borrow funds when a written agreement requires that the money be repaid only out of the insurer's excess surplus and removes permission for an insurer to borrow money in this manner for any purpose of the insurer's business.

Sec. 95. AS 21.75.045(a). Attorney-in-fact license exemption.

Expands the exception for being licensed as an attorney-in-fact to all reciprocal insurers. The exemption is allowed when the attorney-in-fact is a wholly-owned subsidiary of the reciprocal insurer who only acts for the one reciprocal. Attorneys-in-fact who operate more than one reciprocal insurer must be licensed under this section.

Sec. 96. AS 21.76.020(b). Joint insurance arrangement reporting.

Specifies that the report prepared by a joint insurance arrangement and filed with the legislative budget and audit committee shall also be filed with the director.

Sec. 97. AS 21.76.080(c). Joint insurance arrangement reporting.

Allows for the report filed by the joint insurance arrangement with its board of directors and the director to be an audit based on generally accepted accounting principles rather than

requirements established by the director. A report filed with the director is open to public inspection unless specifically precluded by statute.

Sec. 98. AS 21.78.293(b). Receiver's recommendation to the court.

In order to reduce litigation over claims and thereby expedite the closure of a receivership estate (to the benefit of insurance policyholders and other claimants), the superior court shall review and adopt the receiver's report on claims by using the substantial evidence standard. The period of disapproving claims is extended to 120 days.

Sec. 99. AS 21.84.590. Other provisions applicable.

This amendment clarifies that the minimum federal standards apply to Fraternal Benefit Societies.

Sec. 100. - Sec. 102. Health Maintenance Organizations.

These sections amend AS 21.86 relating to HMOs in order to conform with the minimum federal standards pursuant to 42 U.S.C. 300gg(g).

Sec. 103. AS 21.87.140(c)(1). Medical service agreements.

Updates terminology of participant provider contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Sec. 104. AS 21.87.150(c)(1). Hospital service agreements.

Updates terminology of participant hospital contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Sec. 105. AS 21.87.180(a). Filing and approval of agreements and contracts.

Conforms form filing requirements for medical and hospital service corporations to similar requirements for other insurers subject to form filing.

Sec. 106. AS 21.87.190(b). Subscription rates, fees, and payments.

Clarifies rate filing requirements. Allows the director discretion to protect medical and hospital service corporations from competitive disadvantage that may arise from disclosing rating formulas when other health insurers are not required to file rates for approval and disclose rating formulas.

Sec. 107. AS 21.87.200. Reserves.

Requires that hospital or medical service corporations have minimum reserve standards and reporting consistent with other health insurers.

Sec. 108. AS 21.87.340. Other provisions applicable.

Amendments in this section clarify that the minimum federal standards apply to Hospital and Medical Service Corporations.

Sec. 109. AS 21.89.020(g) -- Short term auto policy.

Clarifies that the requirements of AS 21.36.210 - 21.36.310 do not apply to seven-day policies.

Sec. 110. AS 21.90.900(29). Definitions for title.

The definition of policy is modified to extend to group certificates issued in Alaska when the group policy is issued and delivered outside of Alaska to ensure consistency in application of state law to all group health care plans covering individuals resident in Alaska. The new minimum federal standards apply to such certificates and without this amendment Alaska may have difficulty asserting regulatory authority over such certificates. Failure to regulate group certificates could result in the federal government determining that Alaska is not substantially enforcing the minimum federal standards resulting in federal regulation of Alaska's health insurance market.

Sec. 111. AS 21.90.900. Definitions for title.

This section adds two new definitions. The term "certified financial statement" is added to clarify its meaning in relation to licensing requirements. This term "medical care" as defined in 42 U.S.C. 300gg-91(a)(2) is added since it is needed in order to define "health care insurance".

Sec. 112. Repeal.

This section repeals the sections in AS 21.56 relating to small employer health insurance that conflict with federal law. As stated above many of the provisions were modified and moved to AS 21.54 since they apply to both large and small groups under the federal law.

AS 21.42.375(d) (mammography) and AS 21.42.395(d) (prostate and cervical cancer screening) exclude limited and supplemental benefit plans from the applicability of the provisions and since these are excluded by use of the newly defined term "health care insurance plan" these sections were repealed.

Also this section corrects an oversight by repealing Chapter 81 that was superseded by legislation enacted in 1995 (AS 21.09.310).

Sec. 113, Sec. 116, and Sec. 119. Mental health insurance effective dates.

These sections establish the effective date of January 1, 1998 and sunset on September 20, 2001 of the mental health insurance provisions required under the federal law.

Sec. 114, and Sec. 115. Repeal of sunset provisions.

These sections repeal the sunset provisions in AS 21.56 relating to Small Employer Health Insurance and the Dental, Vision and Hearing provision in AS 21.42.385. The repeal of AS 21.56 is necessary since the availability provisions in AS 21.56 are required by federal law which do not sunset.

Representative Norman Rokeberg
April 22, 1997
Page 12

Sec. 117. and Sec. 118. Effective dates.

Sec. 6, 7, 27-30, and 91 take effect on January 1, 1998. All other sections take effect on July 1, 1997.

MFF:pl:jr
97-106.plm

APR 0 8 1997

WORK ORDER REQUEST FORM

W.O. [20] LS-0894

KEYWORDS: INSURANCE ASSIGNED: Ford
MEDICAL CARE

REQUEST FOR: New Bill TAKEN BY: Ripley

SUBJECT: Health Care Insurance: Federal Standards

REQUESTED FOR: HC HL&C BY: Shirley PHONE: 465-4954

DELIVER TO: Rep. Rokeberg, Cap. 24

INSTRUCTIONS: Wants to introduce Kennedy-Kassebaum portability bill on the House side. Maryanne Burke has said Sen. Pearce is introducing it in the Senate. If you're finished drafting Senate version, please draft a version for the House.

<p>OBTAIN</p>	<p>SPECIAL DRAFTING INSTRUCTIONS ATTACHED [] AUTHORIZED TO CONFER WITH _____ _____ RETURN _____ _____ TO REQUESTOR APPROVED: <u> X </u> DIRECTOR, LEGAL SERVICES</p>
<p>REVIEWED _____ IN <u>04/07/97</u> DUE _____ TYPED: Draft _____ Date _____ Final _____ Date _____ PROOFED _____ DELIVERED _____</p>	<p>SPECIAL INSTRUCTIONS to TYPING/PROOFING _____ By Request _____ Request for DRAFT</p>

WORK ORDER REQUEST FORM

W.O. [20] LS-0850

KEYWORDS: INSURANCE ASSIGNED: Ford

REQUEST FOR: New Bill TAKEN BY: Ford

SUBJECT: Insurance

REQUESTED FOR: HC HL&C BY: Shirley PHONE: 465-4954

DELIVER TO: Rep. Rokeberg, Cap. 24

INSTRUCTIONS: Prepare a House duplicate of SB 104 with this change:
1) Page 24, line 4, change "60" to "150".

OBTAIN	SPECIAL DRAFTING INSTRUCTIONS ATTACHED [] AUTHORIZED TO CONFER WITH _____ _____ RETURN _____ _____ TO REQUESTOR APPROVED: <u> X </u> DIRECTOR, LEGAL SERVICES
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REVIEWED _____ IN <u>03/26/97</u> DUE <u>3/26/97 4:00 PM</u> TYPED: Draft _____ Date _____ Final _____ Date _____ PROOFED _____ DELIVERED _____	SPECIAL INSTRUCTIONS to TYPING/PROOFING _____ BY REQUEST _____ Request for FINAL
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FRANK H. MURKOWSKI

ALASKA

COMMITTEES:

CHAIRMAN

ENERGY AND NATURAL RESOURCES
FINANCE
VETERANS' AFFAIRS
INDIAN AFFAIRS

FEB 07 1997

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January 30, 1997

Ms. Janet S. Seitz
Office of Representative Rokeberg
716 West Fourth Avenue
Suite 640
Anchorage, AK 99501

Dear Janet:

Thank you for contacting my office regarding H.R. 3103, the "Health Insurance Portability and Accountability Act of 1996," and S. 1920, a bill to amend the Alaska National Interest Lands Conservation Act. Per your request, I am enclosing a copy of both bills.

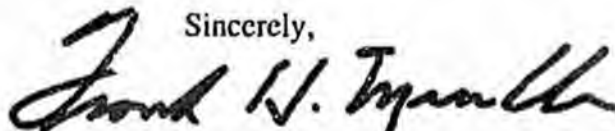
Signed into law on August 21, 1996, H.R. 3103 offers modest, market-based insurance reforms that do not try to solve all the deficiencies of the current system. Instead, H.R. 3103 takes a step in the right direction and will improve access to insurance for millions of Americans. Specifically, this bill will raise the health insurance tax deduction for the self-employed from 30 percent to 80 percent over the next several years; allow a tax deduction for long-term care insurance and permit penalty-free IRA withdrawals for long-term care insurance; and clarify the tax law so that terminally ill individuals may use their life insurance to help with the cost of chronic or terminal illnesses.

I support the goals of this legislation--limiting exclusions for pre existing conditions, making insurance portable, guaranteeing renewability of health plans and prohibiting insurers from denying coverage to persons based on health status. I also appreciate modifications made to the legislation that would increase state flexibility in regulating individual market insurance reforms and would allow states with alternative mechanisms for achieving individual health coverage to opt out of the legislation pertaining to individual health insurance market requirements.

With regard to S. 1920, I introduced this legislation to help alleviate growing constituent concerns regarding the failure of Federal land managers to recognize the promises that were made to Alaskans when ANILCA was first passed. Unfortunately, due to time considerations we were unable to consider S. 1920 before the adjournment of the 104th Congress.

Again, thank you for taking the time to contact my office regarding these issues.

Sincerely,



Frank H. Murkowski
United States Senator

Enclosures: 2

Senate Bill 104

Omnibus Insurance Changes & Health Insurance Portability & Accountability

To coin a phrase - SB 104 is simply a little 75 page housekeeping bill.

On a more serious note:

Each of you have been provided with an excellent summary of the legislation in your floor packets. This information was prepared by Mrs. Marianne Burke, Director of the Division of Insurance for the State of Alaska. Ms. Burke is here today in the gallery to answer questions for members during an at ease should they arise.

Mrs. Burke was very patient with the House Labor and Commerce Committee as we first struggled with the idea of a 75 page bill and then the complex technical nuances of insurance.

The Division of Insurance requested this bill in order to accomplish two goals:

First: The bill incorporates a number of procedural changes that will enhance the effectiveness, efficiency and quality of insurance regulation for the Alaskan consumer and industry. The changes are designed to ensure that insurers conducting business in this state are solvent, that records such as assets, transactions, complaints are properly maintained at the principal place of business and appropriate reports and pertinent corporate changes are submitted to the Division of Insurance. In addition SB 104 establishes minimum reserves and premium rate standards for all

health insurers. Clarifies licensing statutes which are inconsistent with the child support enforcement legislation enacted last session

Secondly: The majority of the bill implements H. R. 3103, the Kassebaum/Kennedy federal Health Insurance Portability and Accountability Act of 1996 that was signed into law on August 21, 1996, SB 104 implements the minimum federal standards for individual and group health insurance plans established under the

page 2

Kassenbaum/Kennedy bill. ***The provisions contained in SB 104 must be implemented by July 1, 1997 or the federal government will take over regulation of individual and group health insurance in Alaska. Without SB 104 the more restrictive federal market reforms will be enforced on all health insurers.***

Similar to the way the federal Environmental Protection Agency implements and enforces the Clean Water Act for Alaska.

This bill offers modest, market-based insurance reforms that do not try to solve all the deficiencies of the current insurance system and while at the same time improving access to insurance for thousands of Alaskans.

The most significant elements of the federal insurance reform contained SB 104 are:

- it limits exclusions for pre-existing conditions,
- makes insurance portable,
- guarantees renewal of health plans
- prohibits insurers from denying coverage to persons based on health status.



Official Business

Alaska State Legislature

Senate

Rules Committee

State Capitol
Juneau, AK. 99801-1182

SPONSOR SUMMARY

SB 104 - Omnibus Insurance Reform

Senate Bill 104 contains numerous procedural requirements designed to ensure that insurers conducting business in this state are solvent, that records are properly maintained, and that appropriate reports are made to the Division. It also eliminates unintentional barriers to companies seeking to do business in Alaska.

In addition, SB 104 contains requirements for health insurance, producer licensing, collection of premium taxes, and it clarifies licensing statutes which are inconsistent with child support enforcement legislation enacted last session.

This bill requires an insurer or licensee to report any suspected producer defalcation or embezzlement immediately to the Director. Insurers are required to report any pertinent corporate changes. Joint Insurance Arrangements (JIA's) reporting to the Director, and Risk Base Capital filings are clarified. SB 104 also requires that an insurer maintain records at its principal place of business. Those records pertain to assets, transactions, complaints, and other corporate affairs for all lines of business transacted.

Senate Bill 104 allows the Director of the Division of Insurance to determine the method of payments, and to collect premium taxes quarterly.

Current insurance statutes require a minimum level of reserves and premium rates that are not excessive, inadequate, or unfairly discriminatory, but only for hospital and medical service corporations. SB 104 will establish such minimum reserve and premium rate standards for all health insurers, thereby providing for a more level playing field, and at the same time, eliminating

archaic hospital and medical service corporation health reserve standards.

Under current law, life and health insurers are not allowed to write stop-loss insurance. This bill adds stop-loss insurance to the definition of health insurance which allows life and health insurers to write this coverage, and gives employers the value of lower risk assessments and lower premiums.

In order to reduce litigation over claims and thereby expedite the closure of a receivership estate, to the benefit of Alaska policy holders and other claimants, SB 104 provides that the superior court shall review and adopt the receiver's report on claims by using the substantial evidence standard. The period for disapproving claims is extended to 120 days.

Other changes are included in this bill to enhance the efficiency of the Division of Insurance and the quality of regulation for the Alaskan consumer. The bill carries a zero fiscal note.

If there are questions, please contact Marianne Burke at 465-2515, or Tim Benintendi at 465-3770.

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ALASKA STATE LEGISLATURE
House of Representatives

COMMITTEE ASSIGNMENTS.

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SPECIAL COMMITTEE ON OIL & GAS, MEMBER
JUDICIARY COMMITTEE, MEMBER
CORRECTIONS BUDGET SUBCOMMITTEE, MEMBER
ADMINISTRATION BUDGET SUBCOMMITTEE MEMBER
HEALTH & SOCIAL SERVICES BUDGET SUBCOMMITTEE MEMBER



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Representative Norman Rokeberg

JUST THE FAX

Date: 4/2/97

TO: Sharon Macklin

FAX: 586-9520 Telephone 586-9518

FROM: Representative Norman Rokeberg

FAX: (907) 465-2040 Telephone: (907) 465-4968

Number of Pages: 3 (including this page)

Comments: HB 218 is companion to SB 104.

SB 104 sponsor statement follows

James

Have A Nice Day

(5B104)

SECTIONAL ANALYSES

Section 1. AS 21.06.030

The Division of Insurance has routinely secured public input on insurance regulatory issues using a variety of advisory committees. Volunteers, including many insurance professionals providing technical input, have served without compensation from the state, recognizing that if transportation or per diem expenses were paid by the division the costs would be passed back to them through higher licensee fees or higher insurance premiums reflecting increased administrative costs. The possibility that payment might be required under AS 39.20.180 has recently been brought to the division's attention. This section would reaffirm that persons participating on division advisory committees do not receive payment for transportation or per diem expense.

Section 2. AS 21.06.110

Updates information required to be included in the division's annual report to reflect current practices regarding issuance of certificates of authority and primary regulation of domestic insurers.

Section 3. AS 21.06.160(a). Examination Cost.

Clarifies this subsection to allow the calculation of a reasonable per hour charge for examination services to include approximated division overhead expenses such as word processing services, facilities and supplies, computer systems, etc. and that out-of-pocket expenses including travel costs shall be paid by the person being examined.

Section 4. AS 21.09.210(b). Premium Tax Payment - Admitted Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 5. AS 21.09.210(d). Premium Tax Payment - Admitted Wet Marine and Transportation Insurers.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 6. AS 21.09.245. Amendments to Certificate of Authority.

A new section that requires an authorized insurer to file with the division within 30 days a name change, domiciliary state change, or other information on its certificate of authority. Amendment to the insurer's articles of incorporation or bylaws, a change of business address or phone number, and other information as designated by the director must be filed within 90 days, and provide for penalties for noncompliance.

Section 7. AS 21.09.320. Maintenance of Records.

This new section that identifies which records are required to be kept by admitted insurers domiciled in another state. Retention times are specified. Domestic insurers are subject to existing and unchanged provisions. The lack of requirements for other admitted insurers has impeded the division's regulatory oversight including examinations and other investigations.

Section 8. AS 21.12.020(a)(4)(A)(iii). Accredited Reinsurer Qualifications.

Removes a requirement for a certification of insurer solvency from an insurer's domiciliary regulator because some foreign countries do not provide such certifications. Certification will still be required from the insurer's public accountant.

Section 9. AS 21.12.050. Health insurance defined.

Revision to this subsection adds stop loss insurance to the definition of health insurance to affirm that life and health insurers are permitted to write stop loss coverage.

Section 10. AS 21.12.050. Stop-loss insurance defined.

Definition of stop-loss insurance as referenced in AS 21.12.050.

Section 11. AS 21.14.010(a). Risk Based Capital Filing.

Clarifies that a domestic insurer must submit its risk based capital report to the director without a specific request.

Section 12. AS 21.14.200(18). Risk Based Capital Instructions.

Clarifies that instructions adopted by the National Association of Insurance Commissioners are to be followed in preparing a risk based capital calculation. Due to the complexity of the calculation, its continual refinement, and insurer need for nationwide consistency, regulations are an inappropriate way to provide instructions to insurers.

Section 13. AS 21.18.050(4). Capital stock and liabilities charged against assets.

Requires that the minimum reserves for health insurance established in AS 21.18.080-21.18.086 be charged against an insurer's admitted assets for the purpose of determining the insurer's statutory financial condition.

Section 14. AS 21.18.080. Reserve standards for health insurance.

Adopts a more well defined and appropriate standard for minimum reserves for health insurance. Requires that reserve adequacy be determined by a gross premium valuation considering the sum of policy reserves, claims reserves, and premium reserves established under AS 21.18.082-AS 21.18.086.

Section 15. New sections are added to provide for minimum health insurance reserve standards.

AS 21.18.082. Policy reserves for health insurance.

Defines which policies require a policy reserve and how to calculate the reserve based on minimum standards relating to interest rates, policy termination, morbidity, and reserve method.

AS 21.18.084. Claim reserves for health insurance.

Establishes that claim reserves are required for all incurred and unpaid claims, including associated expenses, on health insurance policies.

AS 21.18.086. Premium reserves for health insurance.

Establishes premium reserve requirements that include standards for accounting, discounting, methodology, and minimums levels of unearned premium reserves as they relate to policy reserves.

Section 16. AS 21.21.410. Custodian Agreements.

Requires that a written agreement must exist between an insurer and the custodian of its assets, securities, or investments. The agreement must require that the custodian will indemnify for losses if loss results from theft, mysterious disappearance, damage or destruction, or negligence or dishonesty of the

custodian's officers, employees, or agents. The agreement must require the custodian to promptly replace an asset or value of the asset. A bank, trust company, or securities firm may serve as custodian if authorized by the insurer and approved by the director.

Section 17. AS 21.27.010(f)(2)(B).

Editorial revision to make "or" the appropriate connector consistent with identical language in (g)(1) of the section.

Section 18. AS 21.27.010(I). Attorney-in-fact License Exemption.

Clarifies that an attorney-in-fact of a reciprocal insurer who meets the qualifications to be exempt from licensure as an attorney-in-fact is not required to be licensed under AS 21.27 as a managing general agent.

Section 19. AS 21.27.040(a). Application for License.

Codifies current procedure that requires an applicant to certify under oath that the information provided on a license application is true and correct.

Section 20. AS 21.27.370(b). Shared Commissions.

Reaffirms that an unlicensed person may not share or receive a commission or any form of remuneration for business transacted in this state, nor may a licensee share commission or other form of remuneration with an unlicensed person.

Section 21. AS 21.27.390(b). Temporary License.

Conforms AS 21.27 with the requirement to issue a temporary license under AS 25.27.244 (Welfare Reform).

Section 22. AS 21.27.405(b). Investigation; cease and desist order.

Updates procedures to allow the director the flexibility to provide service of notice to a person in the most effective and efficient way.

Section 23. AS 21.27.440(a). Fines.

Provides authority for the director to fine an unlicensed person who illegally transacted the business of insurance and received a commission or other form of remuneration.

Section 24. AS 21.27.640(b)(5)(D). Third Party Administrator License Application.

Gives a third-party administrator applicant an option to submit certified financial statements for its period of operation if operations have been for less than two years in order to remove a barrier to start up operations for an applicant who would otherwise be qualified to act as a third-party administrator.

Section 25. AS 21.34.040(c)(4). Unauthorized Insurers - Lloyd's Syndicates.

Establishes solvency requirements for each syndicate or insurer of Lloyds or a similar operation.

Section 26. AS 21.34.040(c)(5). Unauthorized Insurers - Insurance Exchange.

Establishes solvency requirements for each syndicate of an insurance exchange created by the laws of another state.

Section 27. AS 21.34.180(b). Premium Tax Payment - Unauthorized.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 28. AS 21.34.190(a). Unauthorized Filing Fee.

Clarifies that the one percent fee on gross premiums is calculated on the gross premiums reported on the statement of surplus lines tax required under AS 21.34.180(b), which has been amended to allow the director to require reporting more often than annually.

Section 29. AS 21.36.095(e)(5). Child coverage; enrollment, noncustodial parents and discrimination.

Clarifies that the Comprehensive Health Insurance Association is the entity subject to the requirements of the section.

Section 30. AS 21.36.185.

Establishes a requirement based on the NAIC Model Unfair Trade Practices Act for an insurer to maintain records regarding the complaints it receives. The record will assist the division in evaluating an insurer's consumer practices.

Section 31. AS 21.36.240. Failure to renew.

Clarify that an insurance policy may only be non-renewed on its annual anniversary. This only applies to personal property and casualty insurance.

Section 32. AS 21.36.290. Policy period.

In conjunction with AS 21.36.240, clarifies the annual policy period and assures that rates for personal auto insurance may only be changed once every 6 months, even if the policy is written for a shorter time period.

Section 33. AS 21.36.390. Notice to director.

Adds a requirement that insurers and other licensees report producer defalcations, embezzlements, or violations to the director in much the manner as currently is required for reporting claim fraud. Lack of timely reports to the division has resulted in situations in which harm to the public or other insurers has been exacerbated. Requires licensees as well as insurers to report fraudulent claims.

Section 34. AS 21.39.045(b)-- Risk classification: construction industry.

Clarifies that the credit scale recognizing differences in wages paid applies only to the construction industry.

Section 35. AS 21.42.130(5). Disapproval of forms.

Clarifies that rates for individual health insurance are not subject to approval consistent with current statutes that do not provide a mechanism or guidelines for such rate review.

Section 36. AS 21.42.205. Coordination of benefits.

Requires that benefits provided under health insurance contracts be coordinated. This coordination is applicable only when an individual is covered under more than one health insurance contract.

Section 37. AS 21.42.265.

Clarifies that insurance coverage changes required by a law change become effective at renewal unless the law provides an earlier effective date for the changes.

Section 38. AS 21.54.015. Rate requirements.

Requires that rates for group health insurance contracts not be excessive, inadequate, or unfairly discriminatory to provide a consistent standard for all group health insurers.

Section 39. AS 21.66.110(a). Premium Tax Payment - Title Insurance.

Allows the director to determine the method of payment of premium taxes to reflect technology changes such as electronic payments and to collect premium taxes quarterly.

Section 40. AS 21.66.390(a).

Adds investment income as one of the elements to be considered when evaluating the rates charged by title insurers.

Section 41. AS 21.69.310(a). Annual Meeting Location.

Allows the director upon show of good cause to approve a domestic insurer's request to hold its required annual meeting in a city outside of the location of its principal office or place of business.

Section 42. AS 21.69.520(a). Borrowed Funds.

Requires director approval for an insurer to borrow funds when a written agreement requires that the money be repaid only out of the insurer's excess surplus and removes permission for an insurer to borrow money in this manner for any purpose of the insurer's business.

Section 43. AS 21.75.045(a). Attorney-in-fact License Exemption.

Expands the exception for being licensed as an attorney-in-fact to all reciprocal insurers. The exemption is allowed when the attorney-in-fact is a wholly-owned subsidiary of the reciprocal insurer who only acts for the one reciprocal. Attorneys-in-fact who operate more than one reciprocal insurer must be licensed under this section.

Section 44. AS 21.76.020(b). Joint Insurance Arrangement Reporting.

Specifies that the report prepared by a joint insurance arrangement and filed with the legislative budget and audit committee shall also be filed with the director.

Section 45. AS 21.76.080(e). Joint Insurance Arrangement Reporting.

Allows for the report filed by the joint insurance arrangement with its board of directors and the director to be an audit based on generally accepted accounting principles rather than requirements established by the director. A report filed with the director is open to public inspection unless specifically precluded by statute.

Section 46. AS 21.78.293(b).

In order to reduce litigation over claims and thereby expedite the closure of a receivership estate (to the benefit of insurance policyholders and other claimants), the superior court shall review and adopt the receiver's report on claims by using the substantial evidence standard. The period of disapproving claims is extended to 120 days.

Section 47. AS 21.87.140(c)(1).

Updates terminology of participant provider contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Section 48. AS 21.87.150(c)(1).

Updates terminology of participant hospital contract requirements to reflect managed care compensation arrangements as well as traditional indemnity reimbursement.

Section 49. AS 21.87.180(a).

Conforms form filing requirements for medical and hospital service corporations to similar requirements for other insurers subject to form filing.

Section 50. AS 21.87.190(b). Subscription rates, fees, and payments.

Clarifies rate filing requirements. Allows the director discretion to protect medical and hospital service corporations from competitive disadvantage that may arise from disclosing rating formulas when other health insurers are not required to file rates for approval and disclose rating formulas.

Section 51. AS 21.87.200. Reserves.

Requires that hospital or medical service corporations have minimum reserve standards and reporting consistent with other health insurers.

Section 52. AS 21.89.020(g) -- Short term auto policy.

Clarifies that the requirements of AS 21.36.210 - 21.36.310 do not apply to seven-day policies.

Section 53. AS 21.90.900(29).

Affirms that certificates or other evidences of insurance covering Alaskans as insureds or beneficiaries under group, trust, association, or similar policies are policies subject to AS 21, including mandated coverages or mandated offers of coverage under AS 21.42.

Section 54. AS 21.90.900(41). Definition.

A new definition to specify what the term "certified financial statement" means in licensing requirements.

Section 55. AS 21.81. Chapter Repeal.

Corrects an oversight by repealing Chapter 81 that was superseded by legislation enacted in 1995 (AS 21.09.310).

Section 56. Effective Date for Certain Sections.

Sections 4, 5, 27, 28, 29, 30, and 41 are to take effect on January 1, 1998.

Section 57. Effective Date.

All other sections are to take effect on July 1, 1997.

ALASKA STATE LEGISLATURE
House of Representatives

COMMITTEE MEMBERS:

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Labor and Commerce Committee

MEMORANDUM

TO: Representative John Cowdery
Representative Bill Hudson
Representative Joe Ryan
Representative Jerry Sanders
Representative Tom Brice
Representative Gene Kubina

FROM: Representative Norman Rokeberg, Chairman
House Labor & Commerce Committee

DATE: April 25, 1997

**Additional Materials Provided
To Committee After Bill Packets
Delivered To Committee Members**

HB 218

LESSMEIER & WINTERS

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APR 24 1997

TELEPHONE: (907) 586-5912
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April 24, 1997

Representative Norman Rokeberg
House of Representatives
Labor & Commerce Committee
State Capitol, Room 24
Juneau, Alaska 99801-1182

Re: HB 218

Dear Representative Rokeberg:


I am writing to you on behalf of State Farm regarding House Bill 218, which is of course, the Omnibus bill from the Division of Insurance. We have a specific concern regarding the time period set forth in Section 9 of this bill for maintenance of records. This section would require us to maintain our Alaska records for 10 years. This is a substantially longer period of time than any other state in the country requires. Most states require maintenance of records for 2-3 years. The NAIC model legislation proposes a time period of two years. New York requires that records be kept for six years, which is the longest period of time of any other state in the country.

We have discussed this issue with the Director of the Division of Insurance and she is agreeable to reducing this time period from ten years to 5 years and we simply ask your assistance in doing so.

One of the things we are gravely concerned about is the substantial decrease in the number of insurance companies selling automobile insurance in Alaska. Between 1988 and 1995, the number of active insurance companies selling automobile insurance in Alaska went from 91 to 63. While we do not know all of the reasons for this staggering decrease, we do know that the creation of requirements for record keeping that are so substantially beyond that of any other state cannot help. We urge you as well as other members of the committee to support this simple change, which we again believe the Director is in agreement with. Thank you.

Sincerely,

LESSMEIER & WINTERS

By: 
Michael L. Lessmeier

MLL/ma
15-6.nr42497.wpd
cc: Members of the Labor & Commerce Committee

**Alaska Comprehensive Health Insurance Association
Board Members**

✓
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Board





Health Insurance Association of America

Post-it Fax Note 7671		Date 3/26/97	# of pages 2
To K. Campbell	From Bill Weller		
Co./Dept Alaska Ins Div.	Co HIAA		
Phone # 465-4607	Phone # 202-824-1703		
Fax # 907-465-3422	Fax #		

MEMO

DATE: March 26, 1997

TO: Katherine Campbell, Alaska Division of Insurance

FROM: Bill Weller

SUBJECT: Reserve standards for health insurance

Senate Bill No. 104 contains sections 14 and 15 which deal with minimum reserve standards for health insurance. They are patterned after the NAIC model which HIAA supports. I do have several questions with regards to the wording of section 15, particularly amendments to Section 21.18.082 on Policy Reserves.

Since this is a new law for Alaska, we would ask that the minimum standards in the law be limited to prospective application. This means that previously issued contracts would be subject to the requirements of Section 21.18.080 which specifies an adequate reserve based on a gross premium valuation. It would allow for the use of termination rates and interest rates which had been used in prior reserve reporting which do not meet the minimum standards in 21.18.082. We would find acceptable a provision which required reserves for previously issued policies to be based on assumptions approved by the Commissioner, or if Alaska has not required such the Commissioner of the State of domicile, for year end 1996. This would avoid de-strengthening of reserves.

Section 21.18.082(g) should read "Except as provided in (d), or (n) - (k) of this section..." This is needed since (d) provides for the use of termination rates in situations other than LTC.

Section 21.18.082(g)(1) and (2) should change "individual disability income policy" to "health insurance policy" since this law applies to "all individual and group health insurance policies" per (a) of this section.

Section 21.18.082(g)(3) should be changed so that (A) ends after 'without projection', the next portion of (A) becomes '(B) a lapse assumption for policy durations one through four equal to the lesser of 80 percent of the voluntary lapse rate used in the calculation of gross premiums or eight percent; and' with current (b) changed to (C) with no change in wording. This would make it clear

that the mortality assumption in (A) is in addition to both of the voluntary lapse assumptions in (B) and (C).

Please let me know if you have any questions about these comments. We are willing to assist drafting the necessary amendments to the bill to make these corrections. My number is 202-824-1703. My fax number is 202-824-1668.

c/c: Beth Sweet, HIAA

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSSB 104(FIN) am

1 Page 74, line 31, through page 75, line 14:

2 Delete all material and insert:

3 **** Sec. 114.** AS 28.40.100(a)(22) is amended to read:

4 (22) "underinsured motor vehicle" means a motor vehicle licensed for
5 highway use with respect to ownership, operation, maintenance, or use for which there
6 is a bodily injury or property damage insurance policy or a bond applicable at the
7 time of an accident and the amount of insurance or bond

8 (A) is less than the amount the covered person is legally
9 entitled to recover for bodily injury or property damage from the person
10 who is uninsured or underinsured [LIMIT FOR UNINSURED AND
11 UNDERINSURED COVERAGE OF THE INSURED'S POLICY; OR

12 (B) HAS BEEN REDUCED BY PAYMENTS TO PERSONS
13 OTHER THAN AN INSURED, INJURED IN AN ACCIDENT, TO LESS
14 THAN THE LIMIT FOR UNINSURED AND UNDERINSURED
15 COVERAGE OF THE INSURED'S POLICY];"

16 Page 75, lines 16 - 17:

17 Delete "AS 28.20.445(c), 28.20.445(h); AS 28.22.211; and AS 28.40.100(a)(22)"

18 Insert "AS 28.20.445(h); and AS 28.22.211"

AMENDMENT

#3
DUNCAN
passed
Senate

OFFERED IN THE SENATE

TO: CSSB 104(FEN)

- 1 Page 2, line 4:
- 2 Delete "111 - 117, and 120"
- 3 Insert "111, 112, 114 - 118, and 121"

- 4 Page 74, following line 22:
- 5 Insert a new bill section to read:

Include in
HB 218???

6 **** Sec. 113.** AS 28.20.440 is amended by adding a new subsection to read:

7 (l) Notwithstanding any other provisions of law, a person who resides in the

8 same household as the person named as insured or a person who is a relative of the

9 person named as insured sha'l be excluded from coverage under a motor vehicle

10 liability policy if the person named as insured requests that that person be excluded

11 from coverage."

12 Renumber the following bill sections accordingly.

- 13 Page 74, line 30:
- 14 Delete "117, 118, and 120"
- 15 Insert "118, 119, and 121"

- 16 Page 75, line 1:
- 17 Delete "Section 114"
- 18 Insert "Section 115"

ALASKA STATE LEGISLATURE
House of Representatives

COMMITTEE ASSIGNMENTS

OIL & GAS, CHAIRMAN
LABOR & COMMERCE, VICE CHAIRMAN
ADMINISTRATIVE REGULATION REVIEW, VICE CHAIRMAN
HEALTH, EDUCATION & SOCIAL SERVICES, MEMBER
ECONOMIC DEVELOPMENT, MEMBER



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Representative Norman Rokeberg

JUST THE FAX

Date: 6/25/97

TO: Duane Atwood

FAX: 258-2157 Telephone 257-4466

FROM: Representative Norman Rokeberg / Shirley Anshutz

FAX: (907) 258-2916 Telephone: (907) 258-8191

Number of Pages: 13 (including this page)

Comments: Hope this helps! If not, give us another call.

Have A Nice Day

04/04/97

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

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15:58:26

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:70594 SCHEDULED FOR:04/04/97 15:15 TO 17:30

FOR:ANC

PUBLIC HEARING

HOUSE LABOR & COMMERCE

LOCATION: ANCHORAGE

HB 207

JOHN

WHEATLEY /

ALLIANCE

TESTIFY

HB 207

RONALD

JORDAN /

MSSI

TESTIFY

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

**DEPARTMENT OF NATURAL RESOURCES
SUPPORT SERVICES DIVISION**

State Recorder's Office
3601 "C" Street, Suite 1180
Anchorage, AK 99503-5947
Ph: (907) 269-8882
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October 15, 1997

Dear Customer:

As a participant in the Recorder's Office stakeholder meetings, you were recently provided with a summary of the meeting results by the facilitator. Thank you for participating in those meetings and for identifying additional data requirements, reporting requirements, and other issues of concern that you have with the recording function.

The Department has carefully examined each element or issue raised at the meetings. We have identified where possible the operational concerns related to each item and have outlined the additional resources and/or system modifications that would be necessary. The attached matrix is a summary of that effort. (Items on the matrix are presented in the same order they were discussed at the statewide meetings, as included in the prior packet of materials distributed by the facilitator last week.)

As you will observe from reviewing the matrix, some of the items raised in the public meetings are within the Department's direct control and can be implemented with minimal additional resources and funding. In some cases, solutions would reduce employee time to provide the service and speed up your activities. For most items, however, we face technological constraints. In these cases, alternatives will have to be identified and costs defined before solutions can be pursued, and full support by our user groups will be critical.

Our desire is to provide the best possible service to you with the resources currently available to us. The public comment process was the first step in defining changes desired by our customers. The next step will involve working with you to more fully understand the problems and explore possible solutions. We will be contacting you to discuss some of our options. Again, thank you for participating in the stakeholder meetings.

Sincerely,

Sharon Young
Sharon Young
State Recorder

Encl.

DRAFT

State of Alaska
DEPARTMENT OF NATURAL RESOURCES
Support Services Division
RECORDER'S/UCC SECTION

OVERVIEW OF STAKEHOLDER MEETINGS

This document is intended to be a working document and is being distributed in draft format. Subsequent meetings with recording system users will serve to refine and modify action plans as additional information becomes available.

The following tables address the points raised in the stakeholder meetings conducted in August and September. All comments in these tables are based on the capabilities afforded by the current system within DNR offices only. Some items, such as additional reporting functions, can perhaps be purchased for a fee direct from the current contractor without being available to recording facilities. It should be noted that the recording database and the UCC database do not connect. Information displayed in one database does not reflect in the other and each database must be reviewed separately. Impact of each item must be multiplied times the percentage of documents taken statewide which would be impacted. Each of the items identified in Group I are unique data elements which would affect a fluctuating portion of all recordings. Unique items which are not common to all documents recorded have an increased likelihood of error or omission because they are not consistently applied to all recordings and would also slow down the indexing process if index criteria was expanded to include a high number of unique elements in addition to the standard elements currently being keyed. Time studies already demonstrate that procedural anomalies have a higher percentage of processing errors despite existing manual and labor intensive cross checks intended to catch them. Several of the items suggested in the first group go beyond tracking basic index information in order to access the document for further review. The document represents the public record, and the index is only an access tool. The agency supports efforts that focus on exploring methods to make the document itself more accessible to users.

*NOTE: The state operates the statewide recording system and the Uniform Commercial Code central file system, including all recordation, indexing, filming and library functions and processes. The private third party contractor (Motznik Computer Services, Inc.) performs data processing and maintains an automated indexing system for the state. Resources to implement user desired changes could impact any or all of these functions. Table references to "Program Revisions" in column five (5) pertain to system changes by the private contractor which are not within the state's direct control.